HOW TO READ THE MONEY ARTICLE

CHARLES DUGUID

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THE

MONEY ARTICLE

BY

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FOURTH EDITION

LONDON

EFFINGHAM WILSON

ROYAL EXCHANGE, E.C.

1902

PREFACE.

Of course any City Editor and many other people could easily have written this little book. It is based, with kind permission, mainly on a series of articles the writer contributed to one of the Newnes' weeklies and on certain of his contributions to other papers. The modest object of the book, even if not sufficiently indicated in its title, is explained in its opening chapter. Its chief aim is to enable the uninitiated to cope with the technicalities of the newspaper money article, but here and there, especially in such chapters as those on "The Writer of the Article," "Prospectus Notices," "Company Meetings," and "Corruption in Financial Journalism," it also aims at showing how to read the money article between its lines. Those who know all about the matter may possibly deem some of the technicalities explained trivial and commonplace, but then if they know all about the matter they will recognise that these trivial and commonplace technicalities are just what puzzle people. The writer has been sorely tempted to be more exhaustive and profound, in such chapters as that on "The Rates of Exchange Table," for instance; but having resisted the temptation he hopes the superficiality of the little book will appeal to those for

whom it is written—those who having many other things that claim their chief attention are not averse to obtaining easily a general idea of how to read the money article.

C. D.

PARK LODGE,
NEW BARNET, HERTS, *January*, 1901.

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HOW TO READ THE MONEY ARTICLE.

CHAPTER I.

WHY IT SHOULD BE READ.

To many thousands of newspaper readers the money article, and the money page upon which it appears, is so much wasted space; a dull jargon of meaningless phrases, to be passed over, with the advertisements, in favour of the latest news and police court intelligence. It is the one part of the paper they never read; they do not realise that much care and expenditure are lavished over the financial intelligence department, all for their benefit —especially if they have a little spare money to invest, or which might be invested to their profit. They disregard the money page, although it forms a large proportion of the newspaper for which they have paid. On the other hand, there are those who open their newspapers first at the money article, and keep it open there; which seems to show that some find use for it. A little observation will disclose that there are those who closely scan every line of the money article, who glance through the rest of the journal with diminished interest, or, in some extreme cases, do not glance through it at all. These people are to be found mainly amongst those who go down to the City in cabs, but also amongst country clergymen. In short, whereas the literary and news pages of a

newspaper are of some interest to the thousands—they read them for amusement—the money page is of intense interest to the few—they read it for pecuniary profit.

"What are they all doing?" asked a lady of her husband, as they threaded their way through the noisy crowds of stock-brokers and stock-jobbers in Throgmorton Street, one afternoon. "They are doing each other," was the reply. As the lady had just been to her bank regarding a little investment, she might have been more usefully interested in a less witty explanation. So is it with the money page of the newspaper. "What is it all about?" is the usual question. "About to be passed over as useless," is the usual answer. But it might always be scanned with considerable interest, and frequently studied with considerable profit. Wrapped away in its forbidding columns of technicality and dry tabular arrangements of figures is often an item of news which does not find its way into the other columns of the journal until afterwards—for the Stock Exchange and the Money Market are in the habit of receiving their news very early. The readers of the money article of a certain evening paper were assured of the occurrence of the romantic Jameson Raid with its vast political significance many hours before the news columns of all the papers flared forth its details in big type. That is one instance of interest, and there are many minor instances every day. As to the pecuniary profit to be derived from a perusal of the dry money page, few will gainsay it.

It is not the fault of the newspaper reader that he does not derive such interest and such profit from the money article as he might; it is his misfortune that because of its technical terms he cannot understand it. This defect will be remedied, this wrong righted, it is hoped, in the pages of this little book. It is sought to define

popularly all the technical terms, to say something explanatory of all the abstruse allusions with which the money article of the daily paper abounds; there is an attempt to make its dry bones live; that not alone the financier and his small class may take interest, but also the man in the street, and the woman at home, for the matter of that; that there may be no monopoly of the good things. The game of finance is not so intricate that only few can understand it; the money article is not much more undecipherable to the uninitiated than the report of a cricket match.

If it is not the fault of the general reader that he cannot understand the technicalities of the money article, it certainly is not the fault of its writer. Because of his subject the writer must be precise; he must use the terms of the trade; he cannot stop at the end of every paragraph to explain his meaning for the benefit of the amateur financier.

But the point is that the amateur financier has become so numerous in the land that it is high time somebody stopped to show him how to read the money article. With the great growth in the number of companies in recent years, with the great extension of the limited liability system, with the apotheosis of the one-pound share, there are a hundred who take interest in finance in this generation for every one who took interest in it a generation ago; and to each of these hundred, even if he has only some savings in Consols, or a few spare pounds in mining shares, the money page of his newspaper is of importance, and he will find it worth while to understand it from beginning to end.

That is why an attempt is here made to explain it popularly. If the attempt be successful there should not remain uncleared a single difficulty to the general reader

of the money article. Many questions arise before the gentle reader who attempts to understand the money page in his daily paper and thus derive the benefit for which he pays. "Where is the money market?" "How can money be dear?" "I hold some Lake Views, and a financial paper says they must rise because of the big 'bear' account in them; how can this be, seeing that the 'bears' try to lower prices?" "What are those Treasury Bills to which all the money articles are referring?" "What is contango?" "I read that the carrying-over rate on Midland Deferred stock is stiffer at this settlement. What does all that mean? My mother gets dividends on that stock, but we never hear from our broker about any carrying-over rate?" "What is a stag?" "How can I find from the money article in my paper how to invest £150?" These and other simple questions are easily answered; but it has often been pointed out to the writer that they are, none the less, well worth the answering.

CHAPTER II.

GENERAL VIEW OF ITS CONTENTS.

For only about three-quarters of a century has the money article had a place in the newspaper at all. In the early years of the nineteenth century it was found in no newspaper; now it is a prominent feature in nearly all, and its importance seems to be developing. Of course, before 1825, the newspapers generally published the prices of the few stocks and shares that were dealt in; but anything in the nature of a money and stocks article was supplied by some broker who was willing to undertake the trouble in consideration of the advertisement derived from the appearance of his name in connection with his contribution. Some commercial reports, dealing with various trades, appear in the papers to-day in much the same way. But reports as to movements of stocks and shares never appear now connected with a broker's name. Members of the Stock Exchange are not allowed to advertise. The place of these contributions has been taken by the regular money article, which was inaugurated during the great Stock Exchange boom and subsequent collapse of 1825. At that time the number of new loans and companies dealt in on the Stock Exchange was practically doubled, and mining shares were introduced for the first time. The excitement in the financial world, and the increased importance of the Stock Exchange, naturally attracted the attention of the Press, and the regular money article was conceived and born. Passing

reference only need be made to the interesting fact that there was actually a financial paper in existence two hundred years ago, at the end of the seventeenth century. It was called the *Collection for the Improvement of Husbandry and Trade;* it gave a weekly history of commercial and financial speculation and in one of its issues in 1694, it was even referring to time bargains. But the beginning of the modern money article was in 1825.

Let us look at the money article to-day, after its three-quarters of a century of growth, that we may read and be able to digest it.

A general view shows it to be divided, roughly, into departments of the mystic number seven. Whatever may be our favourite newspaper, we shall find its money and stocks article thus divided, treating of the departments in the very same order as every other money article does. The divisions of the article represent the markets for the various kinds of stocks, just as if in describing the Covent Garden Exchange we were to deal consecutively with flowers, plants, apples, cabbages, and so on. In describing the Stock Exchange, and what is going on there in the way of price movement, the money and stocks article practically always deals consecutively with (1) Money, (2) British and Colonial Government Securities, (3) British Railway Stocks, (4) American and other Railroad Shares, (5) Foreign Government Securities, (6) Mining Shares, and (7) Miscellaneous Shares.

Most of the big morning papers devote a separate paragraph to each of these markets; and although in the money article of the evening papers there are not as a rule separate paragraphs, the markets being apparently huddled together, it will be found that this order is practically always observed. The order of the seven

divisions of the money article is almost as unchangeable as the order of the seven colours of the rainbow, the seven notes of the piano, the seven days of the week.

It is convenient that this recognised arrangement of subjects should rule throughout all money articles. It obviates the possibility of the gentle reader becoming ungentle by reason of an irritating search through a maze of confusion for the one stock in which he is interested. If he is happy enough to hold Consols, he knows he has only to glance near the beginning of the article to find the state of the market described; if he is scientific enough to take interest in the Money market he will look to the very beginning of the article, even before Home Government securities; if he dabbles in Milwaukees he will bring his eye to bear right at the middle of the article amongst the American Railroads if he be a gambler in mines he will know that his market is reviewed near the end of the article.

Speaking generally, the nearer the top of the article the sounder, the more solid, the more stable, the less speculative the security. The first market is the Money market, and if the reader hold money itself he need not worry about the rise and fall in its value; but then, uninvested, it will yield him no interest, no dividend. The day has gone by for investment in a stocking up the chimney; that reminds one of the time, about two hundred years ago, just before investment of any kind was known in this country, before any stocks existed in which to invest, when the father of Pope the poet had to carry with him to his country house a box containing an uninvested hoard of twenty thousand pounds.

The safest things to hold, after the money itself, are those securities dealt with in the second department of the money article, Home Government Securities, such

as Consols, Local Loans Stock, Corporation Loans, and Colonials. Here the yield of dividend or interest on the amount invested is low. It is an axiom of the science of investment that the better the security the lower the yield; the higher the dividend the more unsafe the capital invested to secure it.

So we go on down the money article. After Home Government Securities comes the Home Railway department, in which, always speaking generally, there is a considerably higher yield than in Home Government Securities, but a good deal less safety. American Railroads are more speculative still; and when we come to the sixth and seventh divisions of the money article, Mining Shares and Miscellaneous Shares, we find we are surrounded by gambling counters, with possibilities of very high dividends and possibilities of the loss of the whole of our capital.

Of course there are exceptions in this arrangement of the money article according to stability of security; For instance, the security of some of the debenture stocks of our English Railways and of a few of the bonds of the American Railroads is almost as sound as that of Consols; whereas such a railway stock as Metropolitan District Ordinary is more of a gambling counter than some of the shares of established mines such as Mount Morgan. And at the bottom of the article, amongst the Miscellaneous shares, there are many in industrial businesses which would come very soon after Consols if the arrangement were strictly in accordance with stability.

CHAPTER III.

SOME MAIN MARKET INFLUENCES.

WE have seen that, like the rainbow, like the musical scale, like the week, the money article in every newspaper is, broadly speaking, governed by the mystic number seven; there are seven classes of securities with which it deals. That is the money article proper: the review of the markets. A glance at almost any money page will show that with this review of the markets there is much more—some comment on financial topics of current interest, the outline of a new company's prospectus, a review of the monthly trade returns of the country, the figures of the weekly return of the Bank of England, and so on. These will claim our attention by-and-by; at present it is interesting and useful to note some of the general influences which are always affecting certain of the seven markets, influences to which the money article is constantly referring.

The chief influence which affects the Money market, which makes rates that borrowers have to pay high or low, is the plentifulness or scarcity of available money. It may be thought by the man in the street, the small investor, that the condition of the Money market has little to do with him; but it is a mistake so to think. Cheap money or low rates, for instance, means a high price for his Consols. Dear money, or high rates, means depressed prices all round; it may develop into financial panic with a run on his bank! Thus we see that an

ever-present influence on all the stock markets is the condition of the Money market, and that is why it is always dealt with first in the money and stocks article. The condition of the Money market, as we have said, depends upon the plentifulness or scarcity of available money within the country. It may be very plentiful because trade is dull, and manufacturers and merchants do not require to keep it in employment; it may be scarce, conversely, because trade is brisk. It may also be scarce because much gold has gone abroad. Gold is always flowing from and to this country, and sometimes we lose more than is safe. That is why the Bank return, which shows these movements, is so closely watched.

It has just been hinted that the main influence which is always making itself felt on Consols is the state of the Money market. Like the securities of other Governments, they are also affected by the political constitution of the country, by considerations of peace and prosperity.

The main permanent influence on the next market, the Home Railway market, is the traffic returns, given in the money article every week, which, being read in connection with the price of coal and railway material, such as steel, give fair indications of what the half-year's dividend will be. Of course traffic returns are affected by the state of trade in the case of what the money article calls the Heavy Lines—that is the big trunk lines with enormous capitals; and by the weather in the case of the southern lines.

American Railroads, whilst also affected by their traffic returns, are dominated by the position of the New York Money Market and Stock Exchange—Wall Street—and, unlike English Railways, by considerations as to what will be done with the profits when they are earned. In England they are divided among the stockholders; in

America they are frequently diverted by the directors to improving the line—which is called "betterment," although it is all the worse for those who are not in the secret of the directors' policy.

Foreign Government securities are mainly affected in the case of Europeans by international political relations and by internal prosperity or poverty. In the case of the South and Central American countries, the securities are affected by honesty or dishonesty of administration and by the insurrections which are always breaking out in these States, most of which have defaulted over and over again. Foreign Government securities of all kinds are dealt in much more on the Continental bourses than in London, and accordingly the condition of the bourses at Paris and Berlin have a telling influence.

In the Mining market the chief influence which dominates prices is the hope of the discovery of payable gold, for the proportion of mines on the market which are really paying is very small. The reports made at intervals by the manager at the mine are eagerly scanned as they appear in the money article. But Mining shares more than any others are manipulated by unscrupulous directors, officials and operators.

An influence which affects all stocks and shares individually, to whatsoever market they belong, is their sudden increase by the issue of more. Thus, even Consols are depressed when the Government is compelled to borrow. People see that the more Consols there are, or the more Government stocks of equivalent security, the lower will be their price. Again, we periodically read in the money articles of the newspapers that certain railways, in those notices of their Parliamentary Bills which they are obliged to advertise, foreshadow heavy capital expenditure. They are going to extend their lines and

improve their stations, which means that they must raise money by the issue of more stock. The more stock there is, other things being the same, the less it is worth, and so the price of the existing stock is depressed. It should be noted, however, that the price of existing stock is not always depressed by the issue of more by the same company. Directors sometimes so arrange for the new issue that the value of the existent stock shall be enhanced. The price of our stock in the market, they say, is 152; to every holder we will give the privilege of subscribing for the new stock we are issuing at 140, in the proportion of 10 per cent. of his holding. Thus a holder of £1,000 of the existing stock may subscribe for £100 of the new, and for this he pays 140, although the stock is worth 152 in the market. This right to subscribe at a low price for new stock of course increases the value of the old. The issue of new stock or shares by a company or by a Government and the terms of issue are always a potent influence in the market.

CHAPTER IV.

THE MARKETS, THE JOBBERS AND THE BROKERS.

Having seen that the money article is split up into divisions, dealing with the different markets of the Stock Exchange, and that these markets are affected by certain dominant influences to which the article is always referring, it may aid the uninitiated to a better understanding of the money article if he thoroughly comprehends why it is thus divided; why the Stock Exchange is split up into markets; what these markets really are. For the simple exposition we may take for our text some words the like of which often appear in money articles: "Home Railways appear idle and uninteresting, with a sagging tendency; two or three jobbers have, we learn, recently deserted this market, being lured away by the superior attractions of Kaffirs". Marked and inwardly digested, such a sentence as this is not only interesting to the small investor, but it conveys a tip of practical utility.

There was a time when the Stock Exchange itself was only one market out of many. At the end of the seventeenth century, the Stock Exchange, or rather the company of stock-jobbers and stock-brokers, assembled in the Royal Exchange with mercantile brokers. Old plans of the Royal Exchange show us the oblong building, with a statue of the Merry Monarch in the middle, and the various markets, or "walks" as they were called, ranged round it. In the north-west corner of the building there

was the Silkmen's Walk, and next to it the Clothiers' Walk. In the middle, on the west side of the statue, was the Grocers and Druggists' Walk; and, also in the middle, on the other side of the statue was the "Brokers, etc., of Stocks Walk." Thus if one wanted to buy stocks he would pass through the other markets to the east side of the statue, knowing the exact spot in the vast Exchange to which to proceed.

So it is on the Stock Exchange to-day. Stock dealing outgrew the Royal Exchange and eventually, at the beginning of the nineteenth century, the stock-jobbers settled down in an Exchange of their own—the Stock Exchange, with its principal door in Capel Court, opposite the Bank of England; the triangular Stock Exchange with Bartholomew Lane for its base, bounded on its north side by Throgmorton Street and on its south side by Threadneedle Street.

When it was in the Royal Exchange, the Stock Exchange consisted of only one market, practically only British Government securities being dealt in. Now, as we have seen, there are seven great divisions, consisting of many more markets. The Consol market (if your money article calls it the Consols market, it is an indication that its writer is not in very close touch with the members) is there still, with its dealings in British Government securities; but many more markets have been added.

Until the year 1811 only twenty securities—mostly Home Government securities—were officially recognised on the Stock Exchange. Early in that year, however, were added American securities, and canals, docks and waterworks. Later in 1811, dealings began in railways, but it was not until 1845, at the time of the railway mania, that there was anything like a Railway market. In 1816

dealings in Foreign Government funds began on a larger scale, but the Foreign market was for many years a separate institution from the Stock Exchange altogether. In 1825 dealings in Mines and Miscellaneous companies commenced in earnest. And now we have all the markets into which the Stock Exchange is divided.

These markets are geographically distinct in the House; it would be possible to draw a plan of the Stock Exchange showing the exact spots where the various securities are dealt in; and the utility of this arrangement is clear. When you want to buy, say, some Randfontein shares you give the order to your broker in his office. He knows that Randfontein shares are to be bought in the South African market, or the Kaffir Circus, as it is colloquially called. He goes into the Stock Exchange and walks direct to the exact spot where stand the jobbers who deal in Randfontein and other South African shares. Your broker can thus execute your order at once. There is no need for any delay; no need to seek for some one who may happen to want to sell the Randfontein shares you want to buy. The jobber is ever ready either to buy or sell, at the prices which he offers. He is like the wholesale warehouse to which the retail shopkeeper (your broker) goes in the assurance that he can get the shares you, his client or customer, want.

We thus get some idea of the different functions of the broker and the jobber. There have been agitations for the abolition of the jobber, as there have been agitations for the abolition of the middleman warehouseman; but we can see that both are exceedingly useful. There have been disputes in the Stock Exchange because, against the rules of the institution, jobbers sometimes act as brokers and brokers sometimes act as jobbers; but we can see the distinct parts they generally play. If there

were no definite market for the shares you want to buy or sell, the broker might experience much delay and difficulty in executing your order. In the case of some securities he does, securities in which there is only a "limited market"; that is, securities of which the total amount is small or which does not often change hands. But there are distinct markets on the Stock Exchange, and the money article in the newspapers, by its divisions, reflects them.

We now see the full meaning of our text. The jobbers in the Home Railway market have nothing to do; they stand idly in their warehouses, stocked with Home Railway securities; no brokers come to them because the public are sending all their brokers to the South African market to buy or sell Kaffirs. Accordingly some of the jobbers move from the one market to the other, where they will get more trade. They actually change their positions in the Stock Exchange; from beside a certain bench, say, they go to stand near a certain pillar. The broker who goes to buy Midland Railway stock finds some old faces gone; the broker who goes to buy Randfontein shares finds some new jobbers in that market ready to supply him.

The practical tip conveyed in such a sentence as that which has been quoted is that, in the opinion of those best able to judge, the jobbers, there will be no activity in the Home Railway market for some time; if you want to gain quick profits, or risk quick losses, you must turn your attention to that part of the money article in your newspaper which deals with South African shares.

CHAPTER V.

THE MONEY MARKET PARAGRAPH.

It is quite appropriate that the first paragraph of the money and stocks article should be that dealing with the Money market, for, as has been indicated, the condition of the Money market affects the position in each of the stock markets; its influence is over all.

It should be understood that the Money market is not a distinct market as the stock markets are. To find the American market, for instance, you have merely to go to one definite spot in the Stock Exchange; the Money market extends from the Bank of England in Threadneedle Street throughout the whole length of Lombard Street, and wherever an important bank, discount house or bill broker's office is situated.

In the Money market they deal in money as in Covent Garden they deal in apples. They buy or sell money, or rather loans, which they want for a day, or for a week, or to enable them to meet their engagements at the Stock Exchange settlement, or for a month, or for a longer period. The price of a loan of £5,000 for a week might be £2 17s. 8d. that being at the rate of 3 per cent. per annum. On reading the first paragraph of the money and stocks article we immediately find out every day the price of a loan for any amount for any time, for it always gives the rates, sometimes in tabular form. As in every other market, supply and demand are the dominant influences in the Money market. If the demand for money is

big and its supply small, rates will be high; if the demand is small and the supply large, rates will be low. The article usually shows the state of the supply and demand and why they are in that state. When money is borrowed for "short terms" a day or so, or for a week or a fortnight, "fixtures," the borrower has of course to deposit securities. It may be stock or shares and the rate he pays for the money is called the "loan rate". There is a great deal of borrowing for longer periods on the security of bills, which promise that the money shall be paid in, say, three months, in which case the rate the borrower pays for the money is called the "discount rate".

The money article will often be found speaking of "best bills" or "fine bills" or "best bank bills"; these terms mean bills in connection with which no question of the money being forthcoming at the proper time ever arises; the discount rate on such bills is fixed only in accordance with the value of the money lent on the bill; in fixing it the lender makes no charge for risk as to his never receiving his money back again; or as to his only receiving part of it, or as to any difficulty in getting it at the proper time. Thus it comes that the money article sometimes tabulates two kinds of rates, one for best bills, and a higher one for "trade bills". The former may be $3\frac{1}{2}$ per cent., and the latter a little higher, $3\frac{5}{8}$ per cent. In that case the discount rate proper is $3\frac{1}{2}$ per cent.—the rate for bank bills, backed by financial houses whose credit is unquestionable, being taken as the standard.

Various influences affect the Money market with its loan rates and discount rates, and the article will be found constantly referring to these influences. Good trade engenders active use of money and increases the demand, and it may cause rates to be high over a

lengthened period. But there are influences of a more ephemeral nature. The preparation of the Government to pay the huge amount of dividends on the Funds every quarter, or the preparation of the railway companies to pay their dividends every half year, temporarily lifts money off the market and rates are stiffened; when the payments are actually made the market is flooded with money and rates are eased. Or it may be found that money has been borrowed in anticipation of the distribution of dividends so that when it comes it has not so much effect. The issue of a big loan or of a large amount of railway stock, or the calls upon them, may temporarily bring money into strong demand. The payments which all of us have to make round about quarter-day, or in Scotland at "term time," have their effect upon the Money market. The great bulk of the Scottish term payments is made in notes, but they nevertheless affect the supply of cash, because the banks which issue the notes have to hold gold against them. Then there is an extra demand for money at harvest-time, when cash goes from the market into the country to pay, say, the farm labourers, and trickles back but slowly. There is an extra demand at holiday time every year; and for the Stock Exchange settlement payments twice a month. Then about the end of every month several of the leading banks call in loans, gathering up as much of the money they control as they conveniently can, in order to show as large cash holdings as possible in the monthly statements which they publish. At least their critics say they do, and call it "window dressing"; sometimes a banker refers to the subject and declares that his bank does not. Then considerable influence is also exercised upon the Money market by the India Council. While it is saving up revenue it receives in India, to pay the interest

on Indian loans here, to which matter detailed allusion is made in a later chapter on India Council Remittances, it frequently finds itself in possession of funds amounting to considerable sums which it can conveniently lend. Sometimes it is lending amounts and sometimes it is calling in its loans, and the money article constantly refers to these operations. Perhaps the market is less affected by the amounts thus sent or withdrawn than by the rates at which the India Council does business. The Council is presumably well advised, and these rates form some indication as to what the state of the Money market is considered to be in high quarters.

But all these influences on the Money market are more or less ephemeral. Money collected to pay dividends and wages, money distributed in holiday expenses and and so on, returns to the market in a short time. Much more permanent influence on the market is wrought by shipments of gold to foreign countries or by the receipt of gold from foreign countries. When Money market rates abroad are higher than they are here, gold flows to the centre where it can find more profitable employment. That is why the Continental exchange rates, and money rates, and the weekly returns of the Bank of France and the Bank of Germany are watched with such keen interest here; and especially the American exchange and the weekly return of the New York Associated Banks which may be regarded as the return of the Bank of the United States. Gold often goes hence to the United States in the autumn when rates are high there because of the demand for money in connection with the moving of the huge crops. Every Monday the return of the New York Associated Banks for the preceding week will be found analysed, or, at all events, alluded to in our money articles. The amount of

"specie," that is coined money, held by the banks, the amount of "legal tender," that is paper money, is eagerly scanned to see if much has gone from New York into the interior; so is the "loans and discounts" item, which shows how much the banks have lent the public; and so is the "net deposits" item, which shows how much the public has at its command. Above all because it sums up all, any increase or decrease in the "reserve" is noted. The banks are supposed to keep a reserve equal to one-fourth of the deposits of the public, that being the "legal minimum". It very seldom sinks below this. The eye of the financial critic is fixed usually upon the amount by which the actual reserve exceeds this legal minimum—upon what is called the "surplus reserve".

But while the money article naturally regards all these foreign bank returns with interest and respect, it, of course, attaches more importance to our own Bank return—the weekly return of the Bank of England—to glance at which let us now proceed.

CHAPTER VI.

THE BANK RETURN ANALYSIS.

As all the banks bank with the Bank of England, keeping only till money themselves, it may be regarded for Money market purposes as the one bank of the country; its figures are the figures of the whole; hence the importance of the return. This return is made up to every Wednesday night, passed by the directors at their meeting every Thursday, immediately placarded on the wall of the Bank—where a crowd may be seen early any Thursday afternoon, copying it and examining it—and analysed in the money article of the evening papers every Thursday and of the morning papers every Friday. In order to understand their comments upon it let us pass the items briefly and simply in review. Here is a copy of one of the returns:—

ISSUE DEPARTMENT.

Notes issued . .	£48,862,150	Government debt .	£11,015,100
		Other securities .	6,759,900
		Gold coin and bullion	31,087,150
	£48,862,150		£48,862,150

BANKING DEPARTMENT.

Proprietors' capital	£14,553,000	Government securities . . .	£20,191,034
Rest	3,164,567	Other securities	25,608,150
Public deposits .	8,048,243	Notes	19,382,235
Other deposits .	40,979,370	Gold and silver coin	1,715,344
Seven-days and other bills . .	151,583		
	£66,896,763		£66,896,763

The comments and criticisms upon these figures in the money article centre mainly upon the "reserve". No such item as the reserve is mentioned in the return, it will be seen, but it consists of the last two items, notes £19,382,235, and gold and silver coin £1,715,344, so that the reserve, in the return here taken as an example, is £21,097,579.

What is this reserve? It is all the notes the Bank has in its till and all the gold and silver coin, after it has set aside a proper amount of gold coin and bullion as a backing for the notes it has issued. What this proper amount is may be gathered from a glance at the first part of the return headed Issue Department. The Bank willingly issues as many notes as the requirements of commerce demand, so that the amount of notes issued varies from week to week. But against these notes the Bank is compelled by law to hold a backing. England is not Argentina or any other South American State, so it does not do to flood it with paper money unrepresented by tangible assets. Part of the backing consists of an amount which the Government has for ages owed to the Bank, the £11,015,100 being a practically unchangeable quantity; another part of the backing, £6,759,900 changes very seldom, when the Bank of England takes over the lapsed power of other banks to issue notes. These two items amount to £17,775,000 which is the amount of what is known as the "authorised note issue" of the Bank. The surplus of the actual note issue over the authorised note issue has to be backed by the setting aside of gold coin and bullion which the Bank holds. This surplus is the proper amount to which reference has just been made. After deducting this proper amount from the gold bullion and coin it holds, to set against its note issue, the remainder of the gold coin, together with the notes and the

silver coin in its hands, form the Bank's reserve, and the bigger the reserve the stronger the position of the Bank.

How is the Bank's stock of coin and bullion and its reserve augmented or depleted? It must be by an increase or decrease in the internal circulation of coin and notes, in connection with those harvest and other requirements to which reference has just been made; or by withdrawals of gold for abroad, or receipts of gold from abroad. Late every afternoon the Bank issues a statement, placarded on its walls like its weekly return, showing the amount of gold that has been withdrawn for foreign shipment, or received from abroad, during the day, and generally whither it has been sent or whence it has come. The money article records these movements and adds them up so that at the end of the Bank's week, on Wednesday evening, it is known how much gold has gone abroad and what amount has been received. The total stock of coin and bullion in the return before us is £31,087,150 + £1,715,344 = £32,802,494 and if we compared it with the total stock in the preceding week we should find that it shows a decrease of £670,997. We know from the daily returns that, say, £846,000 has been withdrawn for export, and so we know that £175,003 (£846,000 – £670,997) must have been returned to the Bank from within the country, or, as the money article puts it, the internal circulation of coin has been reduced by £175,003. That settles the question of the Bank's stock of coin and bullion; because only £175,003 in coin has been returned from internal circulation against £846,000 in coin and bullion exported, the stock is £670,997 lower than in the preceding week. The reserve, we find by comparison with the preceding week, is only £380,952 lower, because although the Bank lost £670,997 in coin and bullion, its holding of notes was augmented by £290,045 returned from circulation.

We can find the amount of notes in circulation from the return although the item is not directly given. Obviously the difference between the amount of notes issued, £48,862,150, and the amount of notes retained in the Bank, £19,382,235, is the amount of notes in circulation throughout the country.

In our glance at the reserve and what affects it, we have thus passed in review six out of the thirteen items of the Bank return—all the four items in the Issue Department and the last two items in the Banking Department. The general meaning of the other items is easily grasped. The proprietors' capital of £14,553,000 is of course the amount of the Bank of England stock held by the fortunate stockholders, upon which they receive dividends according to the profits which the Bank directors make for them. The amount of these profits is indicated in the next item, Rest. This item is never allowed to go below three millions sterling. That three millions may be regarded as the reserve of the Bank as regards its stockholders; the other reserve, of which we hear so much, is the reserve as regards the public. But the surplus over three millions sterling at the end of the half year is treated by the directors as the amount available for dividend. Thus the money article is able to tell you with practical certainty at the end of each half year what the Bank dividend will be, long before it is officially declared We next come to the item Public Deposits. This item of £8,048,243 does not by any means represent the deposits of the public; it represents mainly the national deposits, that is the money deposited with the Bank by the Government. It frequently changes, as the revenue of the Treasury or other Government departments is augmented, or as payments are made to Government contractors, or as dividends are distributed on the Funds.

The item which represents the deposits of the public is the next one, Other Deposits, £40,979,370. That may be termed, as it often is termed in the money article, the market's supply of cash. It represents the money deposited, not only by people who bank directly with the Bank of England, a comparatively insignificant amount, but also the money deposited by people at the other banks, for these banks in their turn deposit the money with the Bank of England, the Bank of England being the bankers' bank. At the time of the year when most people pay their income tax, an impoverishment of the Other Deposits and a corresponding enrichment of the Public Deposits is naturally shown, and duly noted in the money article; the Other Deposits have their revenge when the dividends on Consols and other Funds are distributed every quarter. Just as Public (or Government) Deposits, and Other Deposits are shown in the Bank return, so are Government Securities and Other Securities. The item of Other Securities is closely watched because its changes indicate the indebtedness of the market to the Bank. When money is difficult to obtain in the "outside market," borrowers often go to the Bank of England, depositing Other Securities for their loans. An increase in the item Other Securities indicates that the indebtedness to the Bank has been increased and that money rates are likely to remain high for a time; a decrease indicates that loans have been repaid to the Bank and that there is not so much stringency in the market. But the money article is frequently able to tell its readers when borrowing has taken place at the Bank, when the loans are repayable, and whether they have been repaid or not, quite irrespective of the Bank return.

We have now gained some general idea of what the

items of the Bank return mean; sufficient idea probably to enable us to follow intelligently the technical analysis of the return which appears weekly in the money article. It may here be pointed out that such an analysis can only be made on very general lines. The writer of the financial article who dogmatises on the return, who attributes, for instance, an increase in the Other Securities entirely to market borrowing, or who attributes a decrease in Public Deposits entirely to Government disbursements, is often wide of the mark. The factors affecting the Bank return are multifarious and complicated, and the figures of the various items therefore convey information of only a general character. But we see how closely each item is bound up with the position in the Money market and there is nothing very general or ambiguous about the figures of the reserve, which are precise and convey a precise meaning. If the reserve is low and gold is flowing abroad, the Bank directors are pretty likely to raise the Bank rate; if the reserve is high and gold is coming in or showing no sign of going out, the directors are pretty likely to lower the Bank rate. Their decision is practically always made at the Thursday's meeting when they examine and publish the return. The Bank rate is nominally the rate at which the Bank of England itself will discount those best three months' bills; it is the condition of the Money market expressed in one figure; it is the official standard—it is often called the "official minimum" by the writer of the money article, who refers to the Bank of England as the "central institution"—by which money rates throughout the country are more or less regulated. To raise the Bank rate is to raise the value of money throughout this country, and to attract gold from foreign centres where the value of money is, for the time being, less. Before

raising it the Bank directors usually ensure that the enhanced rate shall be "effective". It would be futile to raise the official or nominal standard if rates all round were low because money all round was plentiful. To make the Bank rate effective the directors often borrow in the market, thus denuding it of its supplies, and the money article makes due note of the process. It is an exceedingly oft-recurring topic in the money article whether the Bank rate should be raised or lowered or allowed to remain where it is, or in the case of its having been changed whether the change was justified. The shrewdly conducted money article can often forecast the decision of the directors but not always; the writer is never admitted to any secret. In the case of one of our leading journals which never errs, or hardly ever, the financial editor had once such good information that he was able proudly to write that the Bank rate would certainly be advanced the next day. The movement seemed so improbable that in looking through the proofs his assistant had little hesitation in inserting an obviously omitted "not"; the reader was informed that the Bank rate would certainly not be advanced. But it was; and the financial editor has never forgotten the awful incident.

CHAPTER VII.

THE RATES OF EXCHANGE TABLE.

Every complete money page contains a little table showing exchange rates, which has an important bearing on the subject of the Money market which we have just been considering. The table consists of the names of the principal commercial centres of the world, with a figure attached to each—Paris, 25·20; Berlin, 20·49½; New York, 4·82, and so on. Books might be written, and indeed have been written, on this subject of exchange, exhaustive and consequently most intricate books, but it will suffice here to write a few simple words to give the ordinary reader of the money article some general insight into the subject, and to give some idea of its importance and its bearing upon every financial transaction, even upon a simple purchase of stock or shares. For although these exchange rates are published mainly for the information of those who have to send money to, or receive it from, foreign countries, they affect a much wider field.

The figures just given, which are the current rates of exchange at the places named at the time of writing, mean that for the purpose of sending money a sovereign is worth 25·20 French francs, 20·49½ German marks, and 4·82 American dollars. A few days hence a sovereign may be worth only 25·18 French francs. What is the

meaning of the change and what causes it? We know that sovereigns and francs are always of the same standard value, and that when no matter of remitting money between England and France enters into the question, it takes practically 25·22 francs to equal a sovereign. This is an ascertained fixed fact. It is, therefore, in the matter of the transmission of money that fluctuations in the exchange rate arise.

Suppose L. of London had to send P. of Paris the sum of £100 or 2,522 francs. If there were no organisation of exchange business he would get the money in cash, and proceed to send it. He would have to pack it carefully and pay carriage on the package, and also pay for insurance on such a valuable package, besides losing the interest on the money while it is in transit. In fact, to send it would cost him more than one penny in the pound. On his way to despatch his gold L. meets his friend Lo., of London, and learns that Pa., of Paris, owes him, Lo., the sum of £100 or 2,522 francs. An idea naturally strikes them. Let L. pay Lo., the sum he owes to P. and let Pa. pay P. the sum he owes to Lo. By that means the debts are settled, no money has to cross the Channel at all, and the trouble and expense of freightage and insurance is saved. It is an exchange operation.

Exchange business is organised on the simple principle here exemplified. There are hundreds and thousands of business people in London owing money to people in Paris, and *vice versâ;* and the debts are written down on pieces of paper, called foreign bills of exchange, in possession of the exchange banks. Thus when L. has to pay £100 or 2,522 francs to P. he need not rely upon the chance of meeting Lo. He goes to an exchange bank and buys a bill in which some Pa. has promised to pay some

Lo. the same amount—or the bank can make up the amount somehow from the bills in its case. L. sends the bill to P., who with it collects the money in Paris, and thus no money has to pass between the two countries.

It is the supply and the demand for these bills of exchange which causes the rate of exchange to fluctuate. If bills are scarce because people in Paris do not owe people in London much, the rate of exchange may be 25·18; that is with his £100 L. could send P. only 2,518 francs. He has, therefore, to pay a little more for the bill remitting 2,522 francs, but not so much more as it would cost him to send the amount in gold. If there is not much demand for bills on Paris in London, then the bankers may quote the rate of exchange 25·20, and L. would obviously have to pay only a trifle over £100 for the bill representing 2,522 francs which he has to send to P.

It will be understood that all this is mere illustration of principle in a simple and convenient form. As a matter of fact, in practice the bulk of exchange transactions of the kind are settled in London; but that does not affect the principle that is illustrated.

Sometimes it happens that bills on Paris are so very scarce and the demand is so great that the rate of exchange becomes such as to make it cheaper to send the gold than to buy a bill to send. Or take the United States. There are always discussions in the money article at certain times of the year as to "the exchange moving against us" because of our large purchases of wheat. Perhaps, the authorities argue, American speculators have bought a lot of their railroad securities back from English holders, and this may nearly balance matters. They may owe us as much as we owe them. But if we have to pay the Americans a big balance, the demand

for bills moves the rate of exchange against us, and when it goes beyond a certain point—called the "specie point" —it is cheaper for the debtors to send gold, even paying the carriage. And then gold goes.

Thus these little tables in the money article of rates of exchange between ourselves and various countries are watched with keen interest, not only by those who have money to remit, but also by others. For if gold is likely to go out of the country in large quantities the directors of the Bank of England raise the Bank rate to prevent it going, or to attract it back again, by making money dear here; and if money is dear here it means that securities will be sold and that prices will fall, and that Stock Exchange settlements will be difficult, and that no new companies will come out, and that your bank will pay a higher rate on your deposit. In fact the little table of foreign exchange rates is of more interest and importance than ninety-nine people out of a hundred imagine, even amongst those to whom finance is not altogether a closed book.

This is shown even by what has been said here, which has merely touched the fringe of the subject, an extremely complicated one. Only a simple example has been taken; for instance L. might not buy a bill on Paris, but might draw it himself payable by himself in London, in which case P. on receiving it sells it in Paris to people who sell it again, and it thus passes through several hands before being paid finally by L. Then again exchange operations are not regulated entirely by the commercial transactions between any two countries themselves, but also by their transactions with other countries. A merchant sometimes finds that the cheapest way to remit to Paris is to buy a bill on Berlin and with it obtain in Berlin a bill on Paris. Then again we have taken into account only short or

"sight" bills; in the case of, say, three months' bills, questions of credit and interest come into consideration. But by avoiding complications the attempt is made to give some clear idea of what is conveyed in the term "rates of exchange," and what is conveyed by their quotation in the money article.

CHAPTER VIII.

BULL ACCOUNTS AND BEAR ACCOUNTS.

FREQUENT reference is made in the body of the money and stocks article to those denizens of the Stock Exchange menagerie, the bull and the bear. We are always reading, especially in the more technical of the money articles, of bull accounts and of bear accounts, of weak bulls, of cornered bears, of stale bulls, of bear raids, of bull campaigns, and so on. It is doubtful, however, whether a great many people outside the Stock Exchange are quite clear as to the meaning of these terms. They are used glibly enough, of course; even he who has never experienced the fascination of a Stock Exchange transaction in his life, who has never had any money to invest, will refer with a smile to the bulls and bears of the Stock Exchange. Nay, further, he is able to tell you that the bulls are those who buy, and the bears are those who sell. He may even add that the bulls make prices go up, and the bears make them go down; and if he adds this he is wofully wrong.

To put it simply we should say that the bull is the speculator who wants certain shares to go up because he has bought them with the idea of selling them again. He is a bull of those shares. The ordinary investor who has bought shares, of course likes to see them go up, but he does not want to sell them again; he has bought them not for that purpose, but in order that he may derive income from the dividends. He is not a bull in the

ordinary sense. In most cases the bull has not even paid for the shares he has bought; and, moreover, if his speculation is successful, he never will. He buys the shares with the idea that before settlement day arrives he will be able to sell them again at a higher price; if he succeeds, instead of having to pay his broker for the shares on settlement day, which comes on the Stock Exchange once a fortnight, his broker will have to pay him the difference between the price at which the shares were bought and the price at which they were sold; in receiving this difference he closes his bull account at a profit.

If the shares do not rise before the settlement day, the bull will probably get his broker to carry them over; he will pay certain expenses, that is in order to go on longer in the hope that they will rise. If, after a time, hope deferred makes his heart sick, he will sell the shares at a lower price than that at which he bought them. In that case he will send his broker a cheque for the difference between the two prices; he will, in other words, close his bull account at a loss.

To put the position of the bear in a similar way, we will say that the bear is the speculator who wants certain shares to go down because without possessing them he has sold them with the idea of buying them again at a lower price. He is a bear of such shares. The ordinary investor who has sold shares would probably rather see them fall than rise; he would be chagrined to see that if he had kept them a little longer he could have sold them at a higher price. But he does not want to buy them again; he has sold them because he possessed them and wanted to get rid of them. Although he has sold he is not a bear. The bear does not give up the shares he sells, and, moreover, if his speculation is successful he never will. He may be able to buy the shares again

before settlement day arrives at a lower price, and he thereupon merely receives the difference from his broker. He can continue or carry over at the settlement just as the bull did, paying certain expenses. If the price will not fall, and hope deferred makes his heart sick, he will buy at a higher price than that at which he sold and have to send his broker a cheque for the difference between the two prices; he will, in other words, close his bear account at a loss.

Thus we see that a bull is not so much one who has bought as one who is awaiting an opportunity to sell; and that a bear is not so much one who has sold as one who is awaiting an opportunity to buy. As prices rise, the bulls come in and sell, and thus depress them; as prices fall, the bears come in and buy, and thus support them. So we see how it is wrong to imagine that bulls make prices go up, and that bears make them go down; and we at once understand that apparently contradictory jargon in the money page of the newspapers which tells of the market being depressed by the existence of a big bull account, and of the market being supported by the existence of a big bear account. In the one case a lot of bulls in the market want to sell; in the other case a lot of bears in the market want to buy.

Mention has just been made of expenses which both bulls and bears have to meet when they want to carry over their bargains, to continue their accounts, instead of settling upon settling day. The bull, of course, ought to find money to pay for the shares he had bought, but instead of that he pays interest on the money, which is called "contango". The bear, of course, ought to find the shares which he has sold, but instead of that he pays a rate on shares borrowed which is called "backwardation". These two terms, which appear in the

money article at practically every settlement time, the contango rates and the backwardation rates being given, often puzzle, but here we get a general idea of their meaning.

Of course it is true that a "bull campaign," in which the most favourable views are circulated as to the position of the shares, may succeed in raising their price; and equally true is it that a "bear raid," in which all that is unfavourable is disseminated, may depress their price. But the time comes when the "bull campaign" turns into a "stale bull account," that is, when the bulls are anxious to sell, even at a loss, especially when they are "weak bulls," people who have purchased far more than they can afford to pay for; and the time comes when the bears find it necessary to "cover," that is, to buy back, in fear, the shares they have sold.

Sometimes when the shares are scarce, and the market easily manipulated, there is a "bear corner"; the bears are quite unable to obtain the shares, which are run up to enormous prices, the market being what is called "rigged". It is on record that on one occasion when bears were cornered, some of the most desperate of them obtained the share certificates, of which they were so much in need, by the simple expedient of printing them for themselves. But that was an exceptional occasion long ago.

CHAPTER IX.

PROSPECTUS NOTICES AND CRITICISMS.

SOMEWHERE in the money page, often immediately after the review of the markets, there will be found the notice of the prospectus of a new company. This notice is usually colourless; that is, it expresses no opinion, merely stating bald facts culled from the prospectus itself. It should be most distinctly understood by everybody, although there is ample evidence that it is not so understood, that such a colourless notice of a prospectus is not a recommendation to subscribe for the shares which are offered. Your newspaper may be the best of all newspapers, its money article the ablest of all money articles, yet the company, the issue of whose prospectus it announces, may be the rottenest of all companies. Because it tells you, as the colourless prospectus notice usually does, that with such and such a capital, such and such a company has been formed to take over such and such a business, that the purchase price is so much, and that so many shares are offered for subscription—because it tells you this, you are not to conclude that it is recommending the shares for your subscription. Such a colourless notice merely finds place on the money page in order to direct the attention of the reader to the advertisement of the prospectus which appears elsewhere. It is inserted for the benefit of the advertiser, the promoter of the company, rather than for the benefit of the reader, although on the ground that all knowledge is useful it may benefit him as

well. But if the knowledge conveyed by the colourless notice that the prospectus has been issued is useful, the knowledge of the reason of the colourless notice, and that it is not a recommendation, is more useful still.

Sometimes there will be found on the same money page one of these colourless notices and, on another part of the page, a criticism of the prospectus as well. The one is the customary concession to the advertiser or to the advertising agent; the other is the expression of the opinion of the paper for the benefit of the reader. But as a general rule the money articles of the great morning papers contain the colourless prospectus notice alone. There are one or two exceptions, but in nearly every case they avoid prospectus criticism entirely When a prospectus is advertised in their columns there is the colourless notice always; prospectus criticism is found in their money-articles never, or hardly ever. With most of the evening papers it is different. There are one or two exceptions, but in nearly every case they subject new company prospectuses to outspoken criticism.

Which is the better course to pursue need not be argued here; there is something to be said on each side. Providing it is thoroughly understood by the reader that his paper seldom, if ever, criticises a prospectus, be the company never so rotten, and that the colourless notice in its money article is merely to commend the prospectus advertisement to his attention, and not to his favourable attention; if this is understood, then the abstention from criticism can do little positive harm. Nevertheless, it does seem that harm is done negatively; that a great opportunity of saving the investor from the trickery of the promoter is wasted by the powerful paper which is ready enough to express its opinion and advice upon almost every conceivable matter but a company prospec-

tus. Moreover, the great paper, in its silence, occasionally cuts a rather absurd figure when from the columns of some less dignified contemporary or contemporaries come indisputable and undisputed disclosures of an utterly condemnatory nature as to the flotation of the company. A case has been known in which the company promoter himself, overwhelmed by the tirade of criticism, has admitted the hopelessness of his position—even to the extent of withdrawing his prospectus; yet all the time the money page in the dignified paper has been silent, except for its customary publication of the usual colourless notice.

As is pointed out in a succeeding page, when dealing with the different styles of money articles to be found in the Press, there are not wanting signs that the old financial journalism is giving way to the new; and this means that the colourless notice of the prospectus is giving way to the prospectus criticism. At least one great London morning paper has in recent years made outspoken prospectus criticism one of the features of its money page, announcing the change with confident pride. The great and old-established *Economist*, most conservative of publications, has adopted exactly the same policy within the past few years of its half-century's existence.

Where prospectus criticism appears in the money page it is necessary to know how to read it. Should the merest breath or hint of disapprobation appear in one of the great organs which have been described as never offering criticism, because, practically speaking, they never do—say the *Times* or the *Daily News* or the *Standard*—then that hint is of exceedingly great weight. The prospectus must indeed be bad to draw an adverse breath from such a source. Should the criticism appear in certain financial rags, which unfortunately are some-

times brought before the reader's notice, he may, with a little observation, find out for himself that it has been written because the prospectus has not been advertised in the paper or because the promoters have not submitted to blackmail. To test this he will first, of course, turn to the advertisement columns to see whether it is there or not, and he will then indulge in a little simple criticism of the criticism, when he will probably find that it consists rather of generalities than of incisive comment, and rather of abuse than of argument.

Between these two extremes of the silent great and the dishonest rag there is the intelligent criticism of the new financial journalism, which the reader of the money page should also sift and weigh for himself. Some companies whose prospectuses have been much criticised have turned out remarkably successful; some financial writers are ever carping, and nothing is more easy than to carp at a prospectus. Knowing the ways of company promoters in general, one can forgive a little pessimism on the part of the ardent financial writer; but it is preferable not to be misled by it. Mere general statements that the prospectus seems to show over-capitalisation; that the purchase price seems high, and so on, should not be given too much weight. To be effective, the criticism must back up its statements by demonstration. To prove over-capitalisation, it must show that the profits do not yield a fair return on the capital, and have no prospect of doing so; to prove that the purchase price seems high, it must point to the amount for which the promoter obtained the business; if these things are hidden it can of course point to that fact. Prospectuses can all be so easily criticised, that, to be worth anything, a prospectus criticism must be incisive, and based, not on surmise and opinion, but on demonstrable fact.

CHAPTER X.

LETTERS OF ALLOTMENT AND REGRET.

In the money article the little paragraph stating that letters of allotment have been posted follows the paragraph noticing the prospectus, as doth night the day. This little paragraph, a line or two in length, shows the effect of the prospectus; it informs us that the company will proceed to business; that the prospectus has not been, at any rate quite, a frost; that, with the subscriptions for shares they have received, the directors have decided to go on with the concern; that the subscriptions will not have to be returned because an insufficient amount has been subscribed on the prospectus invitation. The letter of allotment, of course, is the document sent to the subscriber by the directors informing him that, in consideration of his application and the instalment he has paid, so many shares in the new company have been allotted to him.

To the reader of the money article who has applied for shares in the company, the notification may be superfluous. Before his newspaper comes to hand he will probably have received the allotment letter itself. He will, of course, most carefully keep it. It gives him a valid title to the shares. It represents the share certificate, that is the shares themselves as far as they can be represented by paper. The letter of allotment takes the place of the share certificate until such time as all payments on the shares have been made, when the shares are complete. Then

the subscriber will receive the share certificate in exchange for the letter of allotment and bankers' receipts which it comprises, all of which he will be called upon to deliver.

Sometimes the paragraph in the money article contains another couple of words. "Letters of allotment *and regret* in the such and such company have been posted." Thus it runs, signifying that with the allotment letters the directors have had to issue other notifications expressing their regret to some applicants that they have been unable to allot them the full number of shares for which application has been made, or that they have been unable to allot them any. This implies, of course, that the invitation of the prospectus has been so acceptable that the number of shares offered has been over-subscribed, that there are not enough to go round all those who have eagerly applied for them.

It is, unfortunately, necessary to point out that to read such a paragraph in the money page of the newspaper aright a little circumspection and discrimination are necessary. If it is a solid company with a board of directors composed of well-known honourable men, we may take the notice, that letters of allotment and regret have been posted, to mean what it implies. But if it is a doubtful company, on the face of it, whose directors have no established reputation to lose, the significance of such a notice may safely be neglected altogether. It should be observed that although the newspaper makes the statement, it is not one of those statements for which it takes any responsibility. It is a formal notification sent by the directors, through their advertising agent, for publication. Except for sweet brevity's sake, all such paragraphs should really read: "We are informed by the directors that letters of allotment and regret

have been posted". Your newspaper does not know—it practically never inquires—whether the addition of those words "and regret" is justified. There is temptation, to which unscrupulous directors sometimes succumb, to announce that letters of regret have been posted, because it obviously implies success, and that the value of the shares should rise. It implies that the demand for them is greater than the supply, and, therefore, that they are worth more than the issue price. It is a bait let down for the unwary reader of the money article who, being misled by the announcement into thinking there is a great demand for the shares, may buy some at a fictitious premium which has been arranged in the market. By this means he may be relieving the promoters and directors of the company of worthless shares which they have been unable to unload by means of the prospectus.

But how, it may be asked, dare the directors of a company make such a false statement? The reply is that the statement, although it gives rise to false inference, and is false in what it implies, may not necessarily be absolutely false in itself. The directors may salve their consciences by actually issuing two or three letters of regret. They may arrange with themselves or with their friends so to do. Or, amongst the applicants, they may recognise the names of one or two who know too much for them; company agitators or others who may prove troublesome in the chequered career which they have already dimly mapped out for the concern. Thus they may say without absolute falsity that letters of regret have been posted. And thus, when the reader of the money article sees such statement, he will not, without other evidence, blindly accept it as meaning that the company has been launched with every promise of success.

It may just have occurred to some that in issuing letters of allotment directors have no easy task, especially when the subscriptions are large. For instance, applicants who are men of straw, unable to pay for the shares, must be avoided; customers of the company, or those whose interest is likely to be of use to it, must receive liberal allotments. In the case of several of the big industrial companies issued in recent years, there has been much discontent amongst those who have received letters of regret instead of letters of allotment. Above all things directors generally seek to avoid in making allotments is the posting of the letters to the "stag". He is the stag who applies for the shares with no intention of keeping them, but with selling them at once at a profit. Directly he receives the allotment, at par, he sells at the premium quoted in the market and waits for the settlement for his profit. Nay, your professional stag frequently sells the shares before he receives the allotment, when he thinks he has sufficient ground for believing that his application will not be answered with a letter of regret. Directors do not like him, of course; the ordinary applicant sits tight on his shares, and thus keeps up their price to the credit of the company; the stag sells his shares immediately he receives the allotment letter, or before, and thus depresses the market. It was at the time of the railway mania, in 1845, that stags came into existence. Their task was easier then, because it was not the practice, as it is invariably now, to demand deposit money with the application. They flourished so exceedingly that it became the custom of directors to employ some of the fraternity to advise them as to whom to avoid in sending allotments—on the principle of setting a thief to catch a thief. So that in those days there were not only stags, but also stag-hunters.

CHAPTER XI.

THE TENDER SYSTEM.

Now and again a prospectus is noticed in the money article which offers a loan on the tender system. These are usually the prospectuses of Government issues, of Colonial loans, of Corporation stocks, all high-class issues which meet with little criticism. But they frequently meet with the suggestion that they should be offered to the public at a fixed price, and not on the tender system; the reason given for this suggestion being that whilst the public will subscribe to a loan in the ordinary way, it hesitates to involve itself in the intricacies of tendering. This is perfectly true; and it may be added that for every one who does not understand the tender system of issuing loans sufficiently to take an active part in it, there are many more who do not even understand it sufficiently to take an intelligent interest in the matter when it is mentioned in the money article of the newspaper.

"Tenders are invited by the Norham Corporation for an issue of £300,000 Three per Cent. stock at a minimum price of 97 per cent." The announcement is usually in this style, adding where the forms for tenderers to fill up may be obtained, and when and where they are to be handed in. Now if this Norham Corporation had simply invited applications for its three per cent. stock at 97 all would be plain sailing. The small investor would judge for himself whether the stock was worth the

price or not; if he had £194 to invest, he would send in his application for £200 worth of stock and await the allotment. But under the tender system the corporation does not offer the stock at £97—it offers it at a minimum of £97; it will not take less, but it will take as much more as the investor likes to give. Thus, instead of fixing the price, the corporation leaves the investor to fix it for himself. He is in the throes of a quandary. If he tenders at £97 10s., he may find that so many other investors have offered more that he gets none of the stock at all; if he offers £99, he may find that he gets all the stock for which he applied, but that many others have got all the stock they wanted at £98.

The ordinary limited liability company seldom issues its shares, or even its debenture stock on this tender system; but it is still much favoured by our Colonies in issuing their loans, and by our municipal corporations. The reason why it is so favoured is obvious. The policy arises from the laudable desire to get as much for their stock as possible. It is like offering the stock by auction with a reserve price; but it is a blind auction. No one knows what his competitor is bidding, and it frequently happens that some poor unversed investor tenders at a ridiculously high price, say 105, and, to his great chagrin, subsequently learns, through his money article—if he ever reads one—what a fool he has been. But such cases are good for the borrowing corporation, and many of them adhere to the tender system.

Frequently, however, as has been said, the question is raised as to whether it would not pay such bodies to abjure the system and offer their loans in a simple, straightforward way understanded of the people, and recently the tender system has been abandoned in many instances for the fixed price principle. It is found that

because people are afraid of making fools of themselves like our chagrined friend, because they do not know what price to offer, they stand aloof altogether, saving their money for an investment issued at a fixed price. Thus, because of its unpopularity, the tender system often brings failure to a loan which the public would probably take up with avidity were it offered at a fixed figure, even higher than the minimum. So it comes to be announced in the money article that only part of the loan has been allotted, the amount being stated, or that the subscriptions have been so small that the whole loan has been withdrawn. Or if it is stated in the money article that the loan has been allotted, no mention being made of over-subscription, it may be taken by the reader that as far as public subscriptions are concerned the issue has been a failure, and that the amount has been made up privately, probably by the bank managing the issue.

Then the reader of the money page when he sees an announcement that tenders are invited for a loan ought to remember the syndicates who always tender. They are formed of expert financiers who are able to gauge, from the credit of the colony or of the corporation, and from the condition of the Money market, what price ought really to be offered. They are on practically every loan offered by tender immediately. They usually send in tenders at several different prices as low as they dare, but still some high enough to ensure their not being left out in the cold, even if the stock goes at a comparatively high price. Sometimes these syndicates find themselves utterly outbid, but not often. Their experience and acumen usually assures them a good deal of the stock at the lowest possible price, and they proceed to unload it at a profit on those who have tendered un-

successfully or on those who have not tendered at all. Many indeed prefer to buy the stock in the market afterwards rather than go through the intricacy of the tender system.

Well, at a certain hour at the appointed place the tenders are opened—usually at a bank. Those of the syndicates especially are not sent in until the last moment, to allow of the amplest opportunity of gauging the condition of the Money market; besides, there is an instalment to be paid with the tender. Some of those interested are present, and the Press, interested in everything, is represented. Accordingly, in the money article, some such announcement as this appears: "Tenders for the issue of £300,000 Three per Cent. stock offered by the Norham Corporation were opened to-day at the Bank of Loanland. The amount applied for was £456,700. Tenders at £97 15s. receive 25 per cent. of their applications and above in full. The average price obtained was £98 17s. 11d."

Does the phraseology of this announcement, so often encountered on the money page, present any difficulty? Its meaning is simple. So many people sent in tenders for the stock, or the syndicates sent in tenders for such large amounts, that the total of the tenders was £456,700. As there was only £300,000 to allot, tenders for £156,700 get nothing at all, and, of course, these will be the tenders of those who applied at the lowest prices. When the tenders were opened they were arranged in order of the price offered. Our friend who offered the ridiculous price of £105 gets the small amount he wants; it is allotted to him with a smile. So do the next batch of people who offer £100, and so on. But by the time the tenders at £97 15s. are reached, it is found that there is not enough stock left to go round. There is enough to give them a

quarter, or 25 per cent., of their applications, and they get it. That uses up all the stock, and the other tenders below 97¾ get nothing at all. The matter may be represented in figures thus:—

Amount Tendered.	Price.	Amount Allotted.	Yield to Corporation.
£100	£105	£100	£105
99,900	100	99,900	99,900
75,000	99	75,000	74,250
100,000	98	100,000	98,000
100,000	97¾	25,000	24,437½
40,700	97½	Nil.	Nil.
41,000	97	Nil.	Nil.
£456,700	—	£300,000	£296,692½

In the case of a real list there might be many more varying prices, but this suffices as an example. The line is drawn at £97 15s. for the reason we have seen. Tenders at that price get 25 per cent. of their applications, all the stock there is to go round them after satisfying the higher tenders—"above in full," as the announcement says. It will be seen that the total amount the corporation obtains from the issue is £296,692 10s. They divide this sum by the amount of stock offered, 300,000, and are thus able to announce £98 17s 11d. as the average price obtained for each £100 of stock.

The syndicates probably sent in some tenders at 97½, some at 97¾, and some at 98. They will now oblige by letting you have the stock they have got at 99—even he who gave 105 can now get it at that price.

CHAPTER XII.

REGISTERED AND INSCRIBED STOCK, BONDS TO BEARER, AND COUPONS.

OPPORTUNITY may be taken of the mention of Government, Corporation and Colonial stock, to say a word about inscribed stock, about bonds to bearer, and about coupons, which are mainly related to these high-class investments. The prospectus of a Government loan, a war loan, say, often states that the loan will take the form "either of inscribed stock or of bonds to bearer". It shows that if, because of patriotism or profit, or both, you have subscribed for some of the loan and accordingly receive a "scrip certificate"—which is merely a document showing of what amount you are the happy possessor—the stock which this scrip certificate represents can be "inscribed" as soon as all the instalments have been paid, or it can be exchanged for "bonds to bearer" after a certain date. The prospectus further says that the bonds to bearer will have quarterly coupons attached; that the inscribed stock may be exchanged for bonds to bearer, or that the bonds to bearer may be inscribed. Inscribed stock, bonds to bearer and coupons, are often the subject of reference in the money article of the newspapers, and therefore they are worthy of a moment's clear consideration.

If the stock which you hold is inscribed, your name is "registered" in the books of the Government, or of whomever manages the issue, as the holder of the stock, and

that inscription in the books gives you your title to it. You may lose all the papers you have had in connection with the matter; yet there stands your name, and you are the holder. If you want to dispose of inscribed stock, to transfer it to some one else, some formality is necessary. You must sign it away, and often go through other forms, and then the inscription in the books is altered, the other name appearing as the holder instead of yours. Generally, inscribed stock may be dealt with in any amounts. It is not necessary always to deal in round sums such as £100 worth, or £10, or £1 worth, as in the case of shares. You may buy or sell say £29 7s. 1d. worth, or any odd amount. In the case of some inscribed stocks the minimum amount is fixed, inscription of any smaller amount being refused, so that you cannot buy or sell it. But generally you are allowed to add small amounts when you already hold the stock; you can, for instance, add the dividends received on it even to the odd pence. Again in the case of inscribed stock, just as in the case of shares in a company of which you are the registered holder, the dividend cheque is sent to your address, or you may have it sent direct to your bank when it will be credited to your account. Inscribed stocks are principally those of the Home Government, of Colonial Governments, and of Home Corporations. They are almost without exception solid investment stocks.

Bonds to bearer are very different. Foreign Government stocks are usually represented by these, and American Railroad bonds also are generally bonds to bearer. When you hold these bonds your name is not registered in the books of the Government or of the company, any more than your name is registered in the books of the Bank of England when you hold one of its five pound notes. Thus, if you lose bonds to bearer, you have not any inscription in the company's books to fall

back upon; it is just like losing bank notes. If you want to dispose of bonds to bearer the process is much more simple than if you want to transfer inscribed stock; the bonds are just handed over with very little formality. But obviously bonds to bearer must be dealt in as a whole, whatever their "denomination," whether they are £5 bonds, or $50 bonds, or £20 bonds. You could not buy or sell a bit torn off to represent £29 7s. 1d. or any odd amount. Then, of course, the cheque for interest on your bearer bonds cannot be sent either to your address or direct to your banker. The managers of the issue do not know your address, they do not even know who holds the bonds, which, being bonds to bearer, pass from hand to hand. It is in this matter of the payment of interest that the coupon comes.

Coupons are tickets detachable from these bonds to bearer, each representing a certain interest payment. Suppose the bond is a £100 bond, redeemable thirty years after issue, bearing 5 per cent. interest payable half yearly. Then attached to the bond when it is new there will be sixty tickets, each bearing a different date in succession, showing when each £2 10s., the half yearly payment, is due. When this date arrives the holder of the bond will detach the coupon and present it at the address which the bond always indicates, for payment. Or he will pay it into his bank like a cheque, and the bank will collect the money for him. Reminders that coupons on such and such bonds bearing a certain number or a certain date will be payable at the offices of Messrs. So and So are frequently found in the money article.

Having obtained a very good idea of what a coupon is, and also of the meaning of bonds to bearer and of inscribed stock, it only remains to remark, in connection with the

subject, upon a curious blending of the different ideas expressed by the terms, which occurs in certain securities. In some cases bonds, although registered and thus not transferable except by deed, have coupons attached which are payable to bearer, which can be passed from hand to hand, just like bonds to bearer. And again in the case of some shares, principally American Railroad shares, although the share certificates—the paper representing the shares—are registered in a certain name, the name of the original holder, yet they also bear a form showing that they may be transferred from hand to hand, each holder indorsing them in the same way that he would write his name on a crossed cheque when passing it on. But the dividend is paid by the company to the registered holder, and must be collected by other holders from him ; and he has the voting power in the company which the shares bestow—in fact, the company scarcely recognises any holder but the original one. These registered bonds with coupons payable to bearer, and these registered shares which are really bearer shares, show that besides inscribed or registered stock and bonds to bearer there is a kind of cross-breed between the two.

CHAPTER XIII.

REDEMPTION DRAWINGS AND SINKING FUNDS.

In the money article we frequently meet with allusions to redeemable stocks, amortisation, redemption drawings, sinking funds, drawn bonds, and other terms of the same relationship—for these are all closely related—terms which are redolent of technicality, but which become quite simple and interesting on a little explanation.

On trying to find a suitable investment amidst a number of stocks, one may easily come across a couple upon which exactly the same rate of interest is paid, which afford practically equal security for the due payment of such interest, and yet which are quoted at widely different prices. At first sight anomaly suggests itself, but on a little closer examination it will probably be found that one of the two stocks, which are otherwise on exactly the same footing, is redeemable, while the other is irredeemable; or that one of them is redeemable in two or three years' time, whilst the other is not redeemable until many years hence. This makes all the difference in the price.

A redeemable stock, of course, is one which will be paid off; in which our investment must sooner or later cease. We shall go on drawing our interest until the date of redemption, but when that date arrives our capital will be paid back. However much we may desire to continue, however convenient it is to receive the nice

steady income from the interest payable on a certain day, we shall be obliged to take our money back and look out for a fresh investment. Nearly all corporation stocks are in this redeemable category; the Government now makes our municipal authorities pay back their loans within a certain time.

Irredeemable stocks are, of course, exactly the opposite. Upon these the borrower goes on paying interest for ever. Or at all events interest is paid until the stock can be bought back in the market, or until terms can be arranged with the holder. Corporations which long ago issued irredeemable stocks have sometimes regretted their policy. Finding they can borrow money more cheaply than at the rate they have to go on paying, they endeavour to rid themselves of the burden. But for the very reason of their improved credit, and even because of the high rate of interest they undertook to pay for ever, the stocks are tightly held. They cannot afford to buy them back at the high prices necessary to induce holders to part with them, and when they propose terms and threaten an endeavour to enforce them, the holders not unnaturally raise the charge of confiscation.

But in the case of redeemable stocks there is always going on a process of "amortisation"—a term frequently to be found on the money page implying the constant approach to the death of the loan. The corporation, the Foreign Government, or whatever body is the borrower, besides paying the interest on the stock, is regularly setting aside a certain sum of money to enable it to amortise it—to buy it back, to pay it off, to redeem it. How much it is necessary to set aside in order to redeem the loan in a given time is of course a mere matter of calculation. The fund to which such sums are put until such time as they are used to amortise or redeem the stock is

called a "sinking fund". There are various ways in which redeemable stock or loans may be paid off. One way, of course, is to allow the sinking fund to accumulate at interest until, as originally arranged, it shall equal the amount repayable at the due date. Another way is to use the sinking fund in purchasing back the stock whenever the state of the market is advantageous, whenever the price is low. But the way of which we most frequently read in the money article is by means of redemption drawings.

These redemption drawings are common enough, especially in the case of Foreign bonds. When the bonds are issued it is announced that so many of them will be drawn for redemption at a certain price at certain periods. The borrowing corporation determines to apply so much every year, say, to redeeming the bonds, and there is no better way of deciding which bonds to redeem than by chance or lot. It is our old friend the lottery. All the bonds bear numbers; corresponding numbers are mixed up in a bag or in a lottery wheel, and then the numbers are drawn until bonds are represented equal to the amount of amortisation money that the borrowing body has to use. These bonds are then "drawn bonds" a term of which we often hear. Their numbers are advertised, and if you hold bonds subject to redemption drawings it is necessary to see whether they have been drawn, and ought accordingly to be sent in for repayment. Your banker will watch the lists for you, he will undertake to collect interest and capital for a small fee.

Thus the holder of bonds in which redemption drawings take place may find his investment continued for years, or he may be paid off suddenly at any of the drawings. The price at which the bonds may be paid off, having been drawn, naturally has constant effect upon their

market quotation. Even in the case of a stock redeemable at one operation several years hence, the fact of the gradual approach of the redemption affects the quotation, and must be taken into account by the investor when considering his "yield". For instance, if a stock is redeemable four or five years hence at par, as it will be worth 100, no more and no less, then, it is not likely to move very wide of that mark meantime. Or say an investor pays 106 now for a stock which is redeemable fourteen years hence at par; in counting the interest which it yields him he must always bear in mind that he is gradually losing the £6. A stock bearing 3½ per cent. interest, bought at 106 would, if irredeemable, yield him £3 6s. 0½d. per cent., but if redeemable on the terms just stated, he must deduct from each £3 6s. 0½d. an annual sum which if invested would give him £6 at the end of the fourteen years to make up for his loss on redemption. It may seem a small matter, but these considerations all affect the market; and in the good money article, when yields are stated, the effects of redemption are generally taken into account in the case of redeemable stocks.

CHAPTER XIV.

ABOUT THE LISTS OF PRICES.

It often happens that he who reads the money page in the newspapers and notes there the price of a security which he holds and would like to sell, or of a security which he would like to buy, is astonished to find that his broker is unable to deal at the price given. This may be because the stock is a rapidly fluctuating one ; or because the price in the newspaper is nominal ; or because it is utterly erroneous, which, because of the system of obtaining prices for publication, is unfortunately sometimes the case. But, whatever the cause, the disappointment of the reader is ofttimes keen, his complaint is sometimes bitter, and it may be worth while to say something which may shed a little light on the long lists of prices which appear in connection with the money article.

One of the sources from which prices are collected for the money page is the Stock Exchange official list. This is issued twice a day under the authority of the Stock Exchange Committee, which is alone responsible for its publication. It is a most forbidding-looking, closely-printed publication ; but a place in its lines is eagerly sought by all companies. All shares and loans which have run the gauntlet of the Stock Exchange Committee's scrutiny, and only those, are quoted in its columns. Quotation in the official list does not mean that the security is a sound one, but it does mean that it is probably of some importance, and that its sponsors

have complied with certain formal requirements of the Stock Exchange Committee. The list not only gives the latest prices, but also certain particulars relating to each security, and the quotations at which business has been done. A money article will sometimes be found saying that only so many bargains were marked in such and such a security, thereby implying that dealing has been slack. The money article of one morning journal in particular is very fond of doing this. But, as a matter of fact, it is most misleading. By no means all bargains, or business done, are marked in the official list. Indeed, there are those who cynically allege that the brokers mark their bad bargains only, so that if their clients find fault with them they can point to the official list in self-defence. However that may be, we must not attach too much weight to inferences in a money article that business has been slack because so few bargains have been marked.

Only the morning paper takes many prices from the official list. The money article of the evening paper has to publish its prices within an hour or two of their quotation in the Stock Exchange. It could not wait for their publication in the official list. It must have them telegraphed practically direct from the House to its office. For this reason it uses tape prices, so called because they arrive in the office through a wonderful little machine which clicks them out on yards and yards of paper tape. The collection of the prices on the Stock Exchange and their supply to the City editor's room is undertaken by the Exchange Telegraph Company. It commenced its operations rather more than a quarter of a century ago. At first the Stock Exchange Committee would not give the requisite permission, but the Company was able to point to the advantages accruing

from the use of the system in New York, and eventually the Committee allowed one of the Company's representatives to invade the sanctity of the House to collect prices for transmission to the outside world.

The tape prices, as published in the money page, give not only the quotation, but the time at which it ruled, which aids the buyer or seller to see that his broker has dealt at the proper price. It seems a difficult matter this collection and publication of prices, and the Exchange Telegraph Company, and any one else who attempts it, are frequently subjected to a good deal of criticism. Brokers are sometimes heard to say that the prices which go outside are "awful," whatever that may mean. Certain it is that the name of a new company, with the quotation of its shares, sometimes appears suddenly on the tape, to the surprise of everybody and to their wonderment how it got there, seeing that the company had never been heard of before. Quotation amongst the tape prices, the reader of the money page will observe, by no means gives even that prestige to a security which quotation in the official list imparts.

In some cases prices are collected for the purposes of the money article not only from the official list and from the tape of the Exchange Telegraph Company but from brokers. These are out-of-the-way prices, perhaps of some American security better known in New York than in London, or perhaps of some morbid cycle company or other concern. Such prices are usually nominal and do not merit much reliance.

Of course, prices of securities dealt in on the foreign bourses, such as Paris, Berlin and Vienna, are cabled direct through special agencies from those centres. Elaborate codes are used to express the many prices in few figures, especially in connection with the cabling

of New York prices, which are of special importance because of the large business in American Railroad shares here, business which is swayed by the tone in New York. As New York time is some five hours behind our time, their opening prices arrive when our market is closing, and a great deal of business in Americans is transacted after Stock Exchange hours. This brings us to the mention of the term "street prices," which merely means prices collected in the street—Throgmorton Street—from dealers who linger to do business after the House is closed. It will be remembered that some few years ago the obstruction in Throgmorton Street became so great that some members of the Stock Exchange were arrested and fined.

Of all the prices which should be treated with suspicion, the most suspicious are those of new company issues, which are supplied not by the official list, nor by the Exchange Telegraph Company, nor even by brokers, but by the promoters of the company themselves, or by their advertising agents. To many a money article these new issue prices are strictly forbidden entrance. In others they often appear before the company has gone to allotment, the idea being by quoting the shares at a premium to induce people to subscribe at par. Has any one ever seen a new issue price quoted otherwise than at a premium? The premium never runs off until the shares have been subscribed for and allotted—in fact, until the ruse has served its purpose.

CHAPTER XV

DOUBLE PRICES AND WIDE QUOTATIONS.

A RATHER cruel story was once told of the editor of one of the great morning dailies whose name was at the time in everybody's mouth. Upon his appointment he informed the City editor of the paper that the money article henceforth must be considerably curtailed. "But how, and why?" asked the crestfallen City editor. "Well," replied the new editor-in-chief, "who cares for the money article? No one knows what it means. For instance, what's the meaning of 'Consols are quoted $108\frac{1}{4}$—$\frac{1}{2}$?' Now, do *you* know yourself?" The story relates that the City editor, overpowered by such colossal ignorance, said nothing. As to belief in the story one prefers to say nothing likewise; but it is conceivable that some may not fully understand why all the prices in the money article are double prices. When the price of a thing is marked up in a shop window, only one price is mentioned; when the price of a Stock Exchange security, be it Consols or be it a mining share, is marked up in the money article, two prices are given: Midland $89\frac{1}{4}$—$\frac{3}{4}$, short for $89\frac{1}{4}$—$89\frac{3}{4}$: or Chartered 3—$\frac{1}{8}$, short for 3—$3\frac{1}{8}$. It was this double price that, according to the story, puzzled the editor-in-chief.

The explanation is very simple. When a price is quoted in a shop the thing is offered for sale only; but when a price is quoted in the Stock Exchange, he who quotes it is prepared either to sell the security or

to buy it. If one were to walk into a shop and say, "I see those gloves are quoted at 4s. 6d. in your window, I will sell you this pair at that price," the shopkeeper would be rather astonished; but if, through your stock-broker, you go to the stock-jobber in the Stock Exchange and say, "I see you quote Chartered at 3 to $3\frac{1}{8}$, I will sell you 100 shares at 3," the stock-jobber would not be astonished at all. As we have seen in a preceding page, the jobber is the dealer who is always prepared either to sell you shares or to buy them from you, and when he is asked by the broker on your behalf to make a price, he does not know whether you want to buy the shares or to sell them. He therefore considers his position and quotes two prices, one at which he will buy and the other at which he will sell. This is, of course, a more satisfactory method of doing business than if the jobber were asked straight off how much he would give you for Chartered shares because you wanted to sell them. Having the knowledge that you wanted to sell, he might be tempted to put down the price against you. But he makes the price without knowing, giving you the quotation at which you can sell, and the quotation at which you can buy. Thus, when a stock is quoted $89\frac{1}{4}$—$\frac{3}{4}$, it means that you can sell it at $89\frac{1}{4}$ or buy it at $89\frac{3}{4}$; the quotation gives the selling price and the buying price. This is the meaning of the double quotation, as that editor-in-chief, and everybody else, ought to know.

In practice, when the reader of the money article sees stock quoted at $89\frac{1}{4}$—$\frac{3}{4}$, and orders his broker to sell, he will usually find that he will get rather more than $89\frac{1}{4}$ for his stock, perhaps $89\frac{3}{8}$; conversely, if he orders his broker to buy, he will probably have to pay rather less than $89\frac{3}{4}$, perhaps $89\frac{5}{8}$. This is due to the fact that the quotations which find their way into the

money page of the newspapers, and into the official lists of prices published under the authority of the Stock Exchange Committee, are generally "wider" than those actually quoted when business is being done. This leads us to the understanding of the term "wide prices" or "wide quotation," sometimes used in the money article. In describing the opening of a nervous crestfallen Stock Exchange, a money article may point out that in a certain market wide nominal prices were quoted, and its table may show the quotation of the stock of which we have been talking to be 86—8. This means that if one wished to sell he would get only 86, whereas if he wanted to buy he would have to pay as much as 88. Such an unusually wide margin is due to the nervousness which prevails; jobbers do not want to commit themselves to business without a very wide margin. The jobber likes a wide quotation; the broker, on his client's behalf, likes a narrow one. If he had had an order to sell the stock he would remonstrate with the jobber who made him such a wide price as 86—8. He would not have said that he wanted to sell, and therefore desired a higher price than 86. Without saying whether he wanted to buy or sell he would have demanded a less wide quotation. The jobber, fearing competition, might then have quoted $86\frac{1}{2}$—$7\frac{1}{2}$, or $86\frac{3}{4}$—$7\frac{1}{4}$, or $86\frac{7}{8}$—$7\frac{1}{8}$, and the narrower the margin became, the better, obviously, the terms for the broker and his client.

In reading the money article it will be observed that the quotations of securities which are very actively dealt in are narrow, whilst those of out-of-the-way securities are wide. It is naturally the case that the prices of stocks which, because of the limited market, cannot easily be bought or sold, are less favourable, or wider, than the prices of those in which the market is free. In

the case of securities difficult to obtain or to get rid of, and in the case of all securities in the time of nervousness or panic, the jobber is not willing to commit himself to deal except at a wide margin. That margin contains the "jobber's turn," or his profit. It would not pay him to spend the day in buying stock at 87 to sell it at 87 again. He prefers to buy it at 86 and sell it at 88 in time of panic; in ordinary times he is quite content to seek his profit in buying it at $86\frac{7}{8}$ and selling it at $87\frac{1}{8}$ indeed, a jobber is usually content with a much smaller profit than that.

Sometimes the money article gives only one price, the middle price, in mentioning a security; but this is only for abbreviation or convenience. To quote a stock of 87 gives the reader some idea of the price, but it does not tell him whether he could sell at $86\frac{7}{8}$, at $86\frac{3}{4}$, or at $86\frac{1}{2}$, or whether, if buying, he would have to pay $87\frac{1}{8}$, $87\frac{1}{4}$, or $87\frac{1}{2}$. If the price is definitely stated at $86\frac{7}{8}$—$7\frac{1}{8}$ then the reader of the article knows the exact selling price and the exact buying price. And by the width of the margin he is able to form some idea of the condition of the market.

CHAPTER XVI.

EX DIVIDEND, EX RIGHTS, EX NEW, EX ALL.

Sometimes these words or abbreviations of them are found accompanying a quotation in the list of prices. They remind us of Shakespeare's seventh stage of man; "sans teeth, sans eyes, sans taste, sans everything". As a man in his dotage may be without teeth, so a stock upon which a dividend is about to be paid may be bought without that dividend. In which case the price will be marked in our money article ex dividend, or, for brevity's sake, ex div., or even x. d. or even x alone. The hieroglyphic x. d. so often appears in the table of quotations that it may be worth while to obtain an exact idea as to what it means.

It might be well if all who hold stock when a dividend is declared upon it by the directors were entitled to that dividend, whether they sold the stock immediately afterwards or not. However that may be, the dividend declaration is not the dividing line. People may continue to hold the stock many days after the declaration of the dividend, and yet, if they sell it, find themselves unentitled to the dividend declared. The dividing line is the declaration in the Stock Exchange that the stock is ex dividend. He who sells before that sacrifices the dividend to him who buys, even though the dividend has been declared before the transaction. Conversely, of course, he who buys the stock only the day before it is quoted ex dividend will receive the amount distributed; if he buys after it

is quoted ex dividend, he will not receive the dividend although it is paid subsequently to his purchase.

Let us take a railway stock, for instance, and see exactly what happens. Soon after the end of the half year it announces that its "transfer books will be closed" on, say, 15th January for the preparation of a dividend. That means that after that day the company will not transfer stock in its books—you may sell the stock you hold if you like, but the company will continue to regard you as the holder until, having made arrangements for the dividend distribution, it opens its transfer books again and registers the buyer of your stock as its stockholder instead of you. That is the meaning of the notice, so often found in the money article, that the transfer books of a certain company will be closed from one date to another.

Well, the railway company having closed its transfer books, the directors, on 2nd February, say, announce the dividend they propose to pay on the stock. This announcement is not complete until it is confirmed by the stockholders at the half-yearly meeting. The directors merely recommend the dividend; it is for the stockholders to say whether it shall be paid. When they have passed the resolution to that effect at the meeting, say on 16th February, the dividend is officially declared, and on the first Stock Exchange settlement day after that, say 23rd February, and not before this settlement day, the stock is quoted ex dividend. The dividend is not actually paid, the stockholder does not receive his dividend-warrant, that is his cheque, until, say, 26th February.

Now this little mark x. d. which appears against the price of the stock on 23rd February is obviously of considerable importance. You, a stockholder, may attend the meeting of the company, at which your directors

congratulate you upon receiving such a satisfactory dividend; as you were a registered stockholder of the company when its transfer books were closed the directors send you the dividend, whether you subsequently sell the stock or not; but if you sell the stock before it is marked ex dividend, then, despite the congratulations, and despite the receipt of the cheque made to your order, the dividend money is not yours; you have to pay it over, through the brokers, to him who has bought the stock. If you forget to do so, an application is sure to remind you.

It follows, of course, that when a price is quoted ex dividend it shows a sudden fall equal to the amount of dividend payable. If the dividend declared by the railway company is at the rate of 4 per cent. then the sum of £2 is payable for the half year. If on 22nd February, therefore, the stock is quoted 160 "cum dividend"—mark the term invariably used—the next day, 23rd February, when it is quoted ex dividend it will be worth only 158. You can sell it on the 22nd for 160 and pay over the £2 dividend to the buyer, or you can keep the £2 dividend by selling it after the line is drawn at 158—the same thing.

Thus the money article is often found stating that "allowing for the fact that several of the stocks in the railway market are quoted ex dividend there is little or no change in the price". But the writer of a money article has been known to overlook the fact that the price is quoted x. d. and to mention the sudden fall shown in its price as something notable, or even to ascribe some reason for the fall. To err is human, and so are financial writers.

It will be easily understood that all through the half year from the moment the stock is quoted ex dividend its

tendency will be to rise, because the next dividend distribution comes nearer and nearer every day. If no other influences whatever effect a four per cent. stock which stands at 158 the moment it is ex dividend, it will stand at 159 at the end of three months, because 1 per cent. of the dividend has accrued. The money article sometimes speaks of the "accrued dividend," and that is the meaning of it. Without other influences the stock will of course stand at 160 the day before it is quoted ex dividend and at 158 again immediately afterwards; the half-yearly £2 having then been taken off, the stock being ex dividend.

Here is a practical hint. Because of the distance between London and South Africa, and all the communications that have to pass when a dividend is declared, it frequently happens that two, three, or four months may elapse between the time a dividend declaration is made on Kaffir mining shares and the time when their price is quoted ex dividend. Therefore, when one buys such shares he should always ask whether they carry any dividend, to which he is entitled, or not.

Having made it clear in what way ex dividend means without dividend, such terms as ex rights, ex new and ex all, sometimes met with in the money article and its list of prices, require little or no explanation. Sometimes shares carry with them the right to an allotment of shares in, say, another company—rights. Sometimes they carry with them the right to subscribe for new shares in the same company at a lower price than the market price—new. Sometimes they carry with them both these privileges and some others—all. If you sell when the shares are ex these privileges you retain them, and get a lower price; if you sell when the shares are cum these privileges you sacrifice them and get a higher

price. Often you can sell your rights whilst retaining the shares that entitle you to them ; you sign a "renunciation form" which is provided, and hand it to your broker who obtains you its worth in cash. That is called in the money article "renunciation of rights"; it would be so called indeed elsewhere.

CHAPTER XVII.

ABOUT SETTLEMENTS.

Every fortnight the money articles in our newspapers contain references to the Stock Exchange settlement. On the Stock Exchange, as in other departments of life, there is a day of reckoning; a day upon which stocks bought must be paid for, and upon which stocks sold must be delivered. As a general rule there is little ready-money business on the Stock Exchange, although £150,000 of Consols have been sold and the money paid within twenty minutes. When you buy stock you do not, as a general rule, pay for it, and when you sell stock you do not deliver it, until the next settlement. The settling days occur twice a month, about the middle of it and about the end of it. The exact dates are fixed, well in advance, by the Stock Exchange Committee. Many of the money articles state, every day, when the next settlement will occur. In the money article the settlement is often referred to as the account, and the settlement days as account days; but this is rather loose. The account is really the period of about a fortnight between one settlement and the next. Sometimes there is a nineteen-day account, and members of the Stock Exchange and speculators generally are supposed, in their superstition, to regard such a long account as unfortunate.

There are three operations connected with the settlement, and a day is devoted to each, so that the settlement consists of three days. The first is called continuation

day, or contango day, or carrying-over day, because by that day the broker has to find out whether the client intends to pay for the stock he has bought, or deliver the stock he has sold, and thus close the bargain ; or whether he intends to continue or carry over his bargain by paying that contango rate or backwardation rate mentioned in a preceding chapter. The second day is called ticket day, or name day, because the tickets have to be passed in the Stock Exchange bearing the names of those who have bought and those who have sold the stocks. It is a part of the necessary mechanism which concerns the members of the Stock Exchange and their clerks only, not the outsider. The third day is pay day; its object is sufficiently expressed in its title—it is the real settlement day.

As a matter of fact there are now four settlement days in the case of mining shares, not three only. There are two mining contango days, making the mining settlement begin a day before the general settlement. This arrangement was introduced by the Stock Exchange Committee at the time of a mining boom, when the Settlement Department found it impossible to cope with all the heavy work in the three days. Many hold that the extra mining contango day should now be abolished. The tendency of the Committee, however, seems to have been rather in the direction of extending the length of the settlement, and there has at times been much angry discussion in the House over the matter.

The settlement in Consols, and in a few securities of the same class, does not come, like the settlement in most other stocks and shares, once a fortnight; it comes once a month. In the money article it will be found that there are always two prices for Consols—"Consols for money" being usually quoted a trifle lower than

"Consols for the account". When you buy Consols for money you have to pay for them at once; when you buy Consols for the account you do not pay until the settlement day.

In connection with the settlement the money article frequently refers to the making-up price, and the first day of the settlement is sometimes called making-up day, as well as continuation day and contango day. The making-up price of each stock is fixed by an official of the Stock Exchange under certain recognised rules; in the case of certain stocks it is the average price ruling between certain hours during the settlement; and in the case of others it is the actual price—the middle between the buying and the selling—ruling at a certain fixed moment during the settlement. The fixing of making-up prices is necessary, of course, only for those who are continuing their bargains. He who has bought stock and does not wish to pay for it at the settlement, has to send his broker a cheque for the "difference" if the making-up price is lower than that at which he bought, or receive a cheque from his broker if it is higher. Conversely he who has sold stock and does not wish to deliver it has to send his broker a cheque for the difference if the making-up price is higher than that at which he sold, or receive a cheque from his broker if it is lower. His broker will arrange to find "takers in" who will lend the money to pay for the stock in the first case, or "givers on" who will lend the stock for delivery in the second case. That is where contango rates and backwardation rates come in. When one who has sold stock can neither deliver it nor arrange to thus carry it over at the settlement, an official of the Stock Exchange buys it in formally and openly for the lowest price at which it is offered, and he who has sold has of course to bear the expense. We

occasionally read in the money article of "buying-in" following a settlement.

Besides the ordinary settlement, the time of reckoning for the great mass of securities, "special settlements" are generally granted by the Stock Exchange Committee in the case of new shares; a definite day is fixed—it need not be at the ordinary settlement time—in which shares bought have to be paid for and shares sold delivered. We frequently read letters of complaint in the money page because of delay in fixing a special settlement. They mean that some one has sold the shares and has to wait longer than he likes for the money, which is of course not due until the settling day. Sometimes when it is thought that there may be difficulty in getting the Stock Exchange Committee to fix a special settlement, bargains are entered into "for the coming out"; that is, the money has to be paid, or the shares delivered, as soon as the directors have issued the share certificates.

Of course directly one account is ended by the fortnightly settlement, another account begins. It commences at noon on the first settlement day, or contango day, and the money articles begin to talk of "dealings for the new account".

On the third settlement day, or pay day, they sometimes have to talk, alas! of Stock Exchange failures, for it is, of course, the day of reckoning that brings out the weak spots. The unfortunate member has to admit that he cannot meet his engagements, and it is the duty of one of the waiters on receiving instructions from the Committee to announce the defaulter's name, having commanded the silence of the House by striking three blows with his wooden hammer on his desk. The day after settlement pay day sometimes brings its batch of failures into the money article, for members frequently pay cheques

which are dishonoured, refusing to throw up the sponge until the last moment. Or three days after, information, withheld by the defaulting member himself, may be given by his creditors. Once the money article did not contain the names of Stock Exchange defaulters, but for many years they have been given a wide and wise publicity.

CHAPTER XVIII.

THE RETURN OF THE BANKERS' CLEARING HOUSE.

"The return of the Bankers' Clearing House for the week ended 24th January shows that the amount of bills and cheques cleared was £146,146,000." This paragraph, or a paragraph like it, appears in the money page of the evening newspapers, somewhere near the Bank return, every Thursday, and in the morning papers every Friday. It is usually passed over with little concern; but although, as a matter of fact, its interest is more or less academic, it is a pity to waste it. Let us see what it really means, and how it can be applied.

The return is issued on Thursday always, about the same time as the return of the Bank of England, each being made up to Wednesday night. It is perhaps a pity that the Bank week is not made to end with Saturday like the ordinary week, but the same may be said of the national financial year, which ends with March instead of with December; let alone of the Scotch railway year, which concludes with the end of January.

To put it briefly, and at the same time to convey some idea of its importance, it may at once be stated that this Bankers' Clearing House return, this figure, £146,146,000, is the sum total of the payments of the people by cheque and bill during the week. You give a bill, payable in three months, to the wholesale house for goods supplied; you receive a cheque from your customer in payment of

goods sold to him; you send a cheque for a guinea to your local charity—in each case the amount goes through the Bankers' Clearing House. Why? Well, of course, the respective banks of the wholesale house and of the local charity will come upon your bank for the money; and when you have banked the cheque received from your customer, your bank will come upon his bank for the money. Multiply by millions—for you are not the only person in the kingdom—and you see a picture of every bank presenting many bills and cheques on every other bank in order to get the money.

Now, if you owe a friend £5 and he owes you £10, it would be absurd for him to come to your house and pay his debt, and for you simultaneously to go to his house to pay him yours. It would save time and trouble if both met at some convenient place half way, and he paid you £5, thus settling matters. That is the principle of the Bankers' Clearing House. There the clerks from each of the banks meet and hand in lists of all the banks owe to, and all they have to receive from, each other; the lists are set off against each other, and those banks which have to receive a balance are given a cheque, by those who have to pay it, on the Bank of England, where every bank keeps an account.

The principle of settling a great many cross transactions by one is so simple that it must have been obvious for all time. As a matter of fact the Bankers' Clearing House was established in 1775, for the use of a few city bankers. In 1854 the joint stock banks were admitted as members. In 1859, mainly through the exertions of Lord Avebury, then Sir John Lubbock, a system of country bank clearing was instituted. The Bank of England did not join in the circle until 1864.

Practically all the banks enjoy the facilities of the

clearing, for although they are not all members of the Clearing House most of them would like to be; those that are not take for their agents those that are, and thus get their cheques and bills passed through in that way. The system facilitates business so much that there have been established local bankers' clearing houses in Manchester, Liverpool, Birmingham, Newcastle, Bristol, and so on. And there is a clearing house for stocks and shares on the Stock Exchange.

In the great Bankers' Clearing House, just off Lombard Street, to which our text paragraph refers, clearings occur three times a day, at 10·30 for bills, at noon for country cheques, and at 2·30 for bills and cheques. The amounts involved are, of course, stupendous. The figure for the week to which we have referred is £146,146,000. This is over £20,000,000 sterling every day, even if we include Sundays. Sovereigns to the amount of £20,000,000 would weigh 157 tons, a weight that would require eighty horses to draw it. Of course, to transact the business in gold would be impossible, and to transact it in paper, in the form of bills and cheques, would be well-nigh impossible but for the aid of the Bankers' Clearing House.

Thus the paragraph in the money article every Friday morning is not so uninteresting after all. But its great value lies in its indication of whether trade is active or inactive, whether it is falling off or improving. If heavy payments are being made it is a pretty sure sign that trade is good. The Bankers' Clearing House return is one of the four great indicators of the state of trade—the other three being the Board of Trade returns as to our imports and exports; the railway traffic returns; and the labour statistics, showing the proportion of trade unionists out of work, published every month by the Board of Trade. All these returns, including that of the

Bankers' Clearing House, are dealt with as they come to hand in the money page of the newspapers.

As the Bankers' Clearing House returns, although issued only once a week, give the figures for each day, people specially watch certain days. The fourth of every month is the day upon which trade bills are usually made to fall due, so the figures for that day are watched; and the return on Stock Exchange settlement pay days, and on Consol settlement pay days, are naturally watched too, as indicative of the volume of business.

CHAPTER XIX.

THE BOARD OF TRADE RETURNS.

WHERE is the ordinary newspaper, with soul so dead, that does not, month after month, make some reference in its money page to the returns showing the extent of our foreign commerce issued by our Board of Trade? To these returns brief reference has just been made, because with the Bankers' Clearing House returns, the railway traffic returns, and the labour statistics, they form the index of our national prosperity. These foreign trade returns are issued by the Board of Trade on the seventh day of each month, and then it is that our newspapers analyse them, or at least summarise them. To such an extent does this reference or analysis in the money article explain itself, that little need be said in explanation; yet there is a remark or two worthy of making.

What, for instance, the money article usually calls, with much glibness, the re-exports are, it should be distinctly understood, the goods we sell to foreign customers after having bought them from foreign suppliers; say raw cotton. They are goods transhipped; it is a form of trade in which we play the part of the mere middleman. As distinct from this, the exports proper are, of course, the goods with which we supply our foreign customers, having made them, or produced them, ourselves; say coal or iron, or manufactured cotton in the form of sheets. The imports, of course, are the

goods which we buy from foreign suppliers, always including Colonial suppliers, for our own consumption; say tea and raw cotton. The returns are collated from the return which the individual import and export merchant and shipper has to make to the Government official regarding each transaction.

In virtually all cases both the quantity and the value of the various kinds of goods imported, exported, or re-exported—the three classes of foreign trade—are given in the returns. In analysing them for the public the money article frequently refers to the value only. This may serve all practical purposes, but the reader should remember that there is such a thing as quantity as well. Take, for instance, our imports of wheat, in 1899, which were valued at only £22,282,701 against £26,147,256 in 1898. The hasty assumption would be that we imported less wheat in 1899 that we did in 1898. But such hasty assumption would be erroneous. As a matter of fact the quantity figures showed imports of 66,636,978 cwt. in 1899, as against 65,227,930 cwt. in 1898. We imported more wheat, although we paid less for it because it was cheaper. The writer of the money article generally keeps his eye on such phenomena, but when he is giving a string of values only, the reader should bear in mind the question of quantity, lest he forget.

It may be said by the careless that these points and these big figures are of little practical use to the man in the street, but if the money article in the newspapers is worth reading at all it is worth reading with intelligence and with interest. "If we make ourselves too little for the sphere of our duty," said Burke in a remarkable passage, which the premier financial journal, *The Economist*, has taken for its motto, "if, on the contrary, we do

not stretch and expand our minds to the compass of the object, be well assured that everything about us will dwindle by degrees, until at length our concerns are shrunk to the dimensions of our minds." Besides, the idea that the Board of Trade returns—they are usually dignified with that title, although the Board of Trade makes returns other than those relating to our foreign commerce—the idea that these Board of Trade returns are only of academic interest is the idea only of the unversed. In the first place, the prosperity of our country and of every individual in it is based upon our commerce; in the next place, these commercial returns are of the utmost practical use to those engaged in the various departments of trade with which they deal; and in the third place, even the man in the street, much more the small investor, may find a good deal of direct use to him in the arrays of figures and their analysis in the money article. He may rest assured that the market on the Stock Exchange in which his railway stock is dealt in will feel the immediate effect on the seventh day of the month of good or bad trade returns, for if our imports and exports have been big our railways must have been carrying much. He need not concern himself closely with the big figures of our food imports, unless to wonder whether we might not be more self-supporting. They are little indication of the state of trade, for eat we must and food we must have, though why we should pay the foreigner, in one year, more than £5,000,000 sterling for eggs, and more than £17,000,000 sterling for butter, whilst we can produce as good ourselves, is not quite clear. But he will see little indication of the state of trade in these food imports, nor will he derive much encouragement from the increasing imports of manufactured articles. With the aid of the figures as to our

imports of raw material for manufacture at home, such as raw cotton and wool, he will, however, be able to gauge roughly the condition of our various industries, for traders do not go on importing raw material unless they have a market for the manufactured stuff. He may wonder how we can go on importing so much more as a whole than we export. Let him not worry too much. If it were a sign of extravagance we should have been bankrupt long ago. When a man can go on buying things for a long time without reducing his wealth, it is a sign that he is making money and is rich. Still it is good to export, to sell, and the export figures are a direct indication of the state of trade. That requires no explanation.

CHAPTER XX.

RAILWAY TRAFFIC RETURNS.

Soon after the end of every half year the City article in your paper begins to announce the dividends proposed by the directors of the various railway companies; then shortly after that it summarises and analyses the reports issued to the stockholders; and soon after that the proceedings at the meetings for the adoption of the reports recommending the dividends, are chronicled in the money page and the railway half year is done with. At least it is done with as far as the City article is concerned; to the railway stockholder there remains the not unimportant duty of receiving his dividend warrant, as the cheque in payment of the dividend is called.

But week by week throughout the half year there appear in the money article the figures of the traffic returns, the traffic receipts, of the railway companies. The reader must rely solely on the money page in his newspaper for these, as he must for the half yearly dividend announcements. Even to the stockholder there is no direct communication from the company as to these; the companies content themselves with issuing to the stockholder the half-yearly report and inviting him to the half-yearly meeting to discuss the affairs of the company, sometimes even paying his fare thither. The dividend announcements, which precede the issue of the reports, are communicated to the Press and the Stock Exchange

alone, as also are weekly traffic returns, the latter through the medium of the humble post-card, printed on the back with a form which is duly filled in by a secretarial official of the company.

These post-cards show the receipts of the company for the week from the carriage of passengers, parcels, and the like—often called the coaching traffic—and from the carriageof merchandise, minerals, cattle, and the like—usually called the goods traffic. They also show how the receipts of the week in question compare with those not of the preceding week but of the corresponding week of the previous year. Further, they show the aggregate receipts of all the weeks of the half year to date, and make comparison with the total of the corresponding weeks of the previous year. And, finally, they show the number of miles of railway open. Of course, the newspaper loses no time in conveying to its readers the information thus received on the post-cards. It usually tabulates the returns so as to present them to the reader in convenient form; and the traffic return tables appear in the money page of the evening papers every Wednesday, and of the morning papers every Thursday. The statistics usually have an immediate effect on the price of stocks in the railway market of the Stock Exchange.

How shall we read these returns? The hasty assumption that all is well if the company in which we are interested keeps on showing increases would lead to disaster. In the first place it must be recognised that the weekly figures are only estimates, rough estimates indeed. It is not possible for the gigantic concerns to furnish exact figures so soon after the expiry of the week to which they refer; and when the half yearly report comes to be issued a considerable discrepancy is often disclosed between its audited figures and the figures of the weekly

returns. But the weekly figures are at least approximate; they always show the tendency.

What must chiefly be remembered in reading these weekly figures is that they tell only half the story of the result of the railway's working. To tell the other half they would have to disclose the expenditure, which they never do. There was a time, a few years ago, when two or three of the home railway companies used to publish monthly revenue statements, showing not only the receipts, but also the expenditure, and consequently the net revenue or profit. There was also a time when one of the companies published daily as well as weekly statements of traffic receipts. But those times are past. Now, the weekly traffic returns show receipts only, and though these may display increase after increase, we may find at the end of the half year that this increase has been eaten up by a corresponding increase in expenses. Fortunately it is not very difficult to form a rough idea at any time as to whether railway working expenses are higher or lower than the year before, the expenses being confined mainly to the three things—wages, coal and material; and reference to the matter is frequently made in the money article. It must always be considered in a study of the weekly traffic returns.

It has been said that these returns distinguish between receipts from passengers and receipts from goods. It is an important fact to which reference is seldom made that an increase in passengers is, as a rule, of greater advantage to the stockholder than an increase in goods. A moment's consideration will show why. Passenger trains have to be run full or empty and the same expense incurred. Passengers, unlike goods, move themselves at terminals or stations. An increase of goods means more labour, more wear and tear, more expense. An increase

of passengers may mean very little of either. But of course, an increase of goods is welcome, and the goods receipts are the better indication of the condition of the trade of the country.

Of course the returns of each railway are affected by the characteristics of the district which it serves. What are called the southern lines, the South-Eastern and Chatham and the Brighton, depend a good deal upon Continental and holiday traffic; what are called the heavy lines, like the North-Western and the Midland, because their capital and everything about them is heavy, depend more upon the staple industries of the country, like coal and cotton and iron. The traffic of the South-Western is affected occasionally by the transport of troops to Southampton, and the line serves many race-meetings. Now and again the returns of, say, the Great Western are disastrously affected by a great South Wales coal strike. The Great Eastern chairman once declared that existing trade prosperity actually affected that line adversely! It raised the price of fuel, material and labour, for which the company had to pay, and brought no corresponding advantage in traffic returns, because the railway carries mainly agricultural produce.

CHAPTER XXI.

INDIA COUNCIL REMITTANCES.

Many a one who casts his eye over the money article, even many an investor, must regard the paragraphs as to the remittances on India, with all their rigmarole about lakhs, and telegraphic transfers, and rupees, and special allotments, as peculiarly unintelligible jargon. Yet their meaning is simple and neither unimportant nor uninteresting. The paragraphs, as they relate to something which occurs on Wednesday, appear in the money page of the evening papers of that day, and of the morning papers on Thursday. What is it that occurs? Let us take the verbiage of a paragraph from the money article of a Thursday's *Times*, bit by bit, and see what it means.

"Remittances on India for 40 lakhs were offered for tender to-day by the India Council," so the paragraph begins. The word to-day, by the way, means Wednesday, although the paragraph is taken from Thursday morning's paper. It is a peculiarity of the money article in most morning papers that it bears the date of the day upon which it is written. In every other part of the newspaper the word to-day means the day of the publication of the paper; in the money article it means the day before. There is something to be said for the practice, but it is probably outweighed by the confusion to which it gives rise or the clumsiness of expression necessitated. Frequently when he uses the word yesterday

or to-morrow, the writer is wise enough to add the name of the day within brackets. If he does not, the gentle reader should pause to think. It is apt to mislead him to read in his morning paper that an event such as the holding of a company meeting will occur to-morrow, when, as a matter of fact, it is to be held on the same day.

But to turn to the India Council and its offer of forty lakhs of rupees. The India Council, the governing body of India, collects its revenue in rupees, as the revenue of this country is collected in sovereigns. A rupee is nominally worth 2s., but as it is a silver coin, and as the value of silver has depreciated, its actual value is much less. Now, although the revenue of India is collected in rupees, much of its expenditure, the interest on its debt, and so on, has to be paid in sovereigns in this country. The India Council is glad, therefore, of an opportunity to change some of its rupees in India into gold here. On the other hand, merchants here import a vast amount of Indian produce, such as tea, and corn, and jute, for which they have to pay in rupees, and they, therefore, are glad of an opportunity to change their gold here into rupees in India. Thus it comes that the India Council offers week by week these remittances, by which the necessity of sending any money at all from country to country is avoided. It sells its rupees in India for gold here to merchants who are glad to buy them. In the week under discussion it offered forty lakhs of rupees, which means four million rupees, a lakh being a hundred thousand.

Continuing, the paragraph informs us that "applications amounting to Rs.61,05,000 were received at prices varying from 1s. 4d. to 1s. $4\frac{1}{16}$d". Thus the merchants applied for remittances to the amount of half as much

again as was offered—4,000,000 rupees being offered and 6,105,000 being tendered for. The figures may be written in this way to show the millions of rupees, although they are usually written in the former way (61,05,000) to show the number of lakhs. The prices offered by the merchants varied, as tender prices usually do.

Then the paragraph goes on to tell us the result of the tendering and of the allotment. "The following amounts were allotted, *viz.:* In bills—Rs.19,86,000 on Calcutta and Rs.7,17,000 on Madras at an average of 1s. 4d., and Rs.7,39,000 on Bombay at an average of 1s. 4·012d.; and in telegraphic transfers—Rs.4,98,000 on Calcutta and Rs.1,05,000 on Bombay at an average of 1s. 4·062d." This shows that some merchants desired remittances to pay accounts in one important Indian city and some in another, and that the India Council met their convenience. Part of the remittances, it will be observed, were allotted in bills, and part in telegraphic transfers. This merely means that whilst with some merchants it sufficed to send a bill by post, others found it necessary to telegraph the remittance. The gold paid by the merchant for the telegraphic transfers in London is in a twinkling, by the magic of the cable, converted into rupees at his credit in Calcutta.

That is not quite the end of the paragraph. It descends into details which require little or no explanation. "Tenders for bills at 1s. 4d.," it says, "and for telegraphic transfers at 1s. $4\frac{1}{16}$d. will receive about 69 °/ₒ." Thus in this case the merchants did not get all they applied for. Sometimes they do not apply for as much as is on offer, and sometimes they offer prices which the India Council will not accept, preferring to wait, being in no hurry for the gold. It frequently happens

that merchants, disappointed with the result of their tenders, and desiring the remittance, offer a higher price afterwards, and thus in the paragraph under discussion we read that "Later the Council sold bills for Rs.50,000, on Bombay at 1s. $4\frac{1}{32}$d." What are called "special allotments" are thus made at times other than the usual Wednesday tendering.

Our paragraph ends with general statistics. "Last week," it says, referring to the Wednesday's allotments and the special allotments as well, "remittances for Rs.32,70,000 were sold for £218,706, making the total disposed of from April 1st"—the beginning of the financial year—"to last night, Rs.27,47,68,118, producing £18,398,088." We can thus see at what rate the Secretary of State for India is getting in his gold to pay interest to investors holding Indian loans here; and merchants who want to buy remittances get some rough idea as to how much the Council has still to offer, and may regulate the prices at which they tender accordingly. They know, at all events, that "next week 40 lakhs will again be offered," for the paragraph finally concludes with those words. The whole process is gone through again week after week.

CHAPTER XXII.

COMPANY MEETING REPORTS.

It certainly cannot be said that the report of the company meeting is the brightest of the appurtenances of the money article. It is naturally a necessary appurtenance, for what the chairman of a company has to say to the shareholders at the annual or semi-annual meeting, and what the shareholders have to say in criticism is of much importance to the company itself, and often of importance to the whole financial world. Of course the company meeting is the gathering at which the affairs of the company are discussed between the directors and the shareholders; at which the directors propose the dividend for the formal approval of the shareholders, without which approval it cannot be paid; at which the directors present their report and accounts, usually published some days beforehand, for the shareholders to receive and adopt; at which the directors who retire in rotation are re-elected. That is the usual business of an "ordinary general meeting". For other purposes, such as an increase of capital, or to sanction "reconstruction"—which usually means wiping away the past of a company to enable it to lose more money on almost the same lines—an "extra-ordinary meeting" has sometimes to be held. In the money article it is generally called an extraordinary meeting, and owing to the nature of the proposals and the acceptance they receive it often is. Frequently a "confirmatory meeting" has to be

held at which the shareholders say amen to the resolutions passed at the previous meeting. Notice as to these meetings, and reports of the principal of them, are given in connection with the money article in the newspaper somewhere in its columns. Our greatest newspaper reports them under the general head-line of "Railway and Other Companies," a head-line which has apparently stood since the time when the most important companies were railway companies; nowadays we generally seek in vain, amidst the mass of other companies, for any trace of a single one of the railway companies indicated in the head-line.

Why these company meeting reports are not the brightest of the appurtenances of the money article we may proceed to see; the examination will show the reader how he should read them. But it may be said at the outset that instead of reading the report of the meeting of any company in which he is interested he had far better attend it, even if he is provided with a form of "proxy," a paper which enables him to vote even in his absence.

In the first place, the newspapers are able to report only a comparatively small number of the company meetings held; these may be the meetings of the most important companies, but it is not the rule that the discussions at the meetings of the most important companies are of the most importance. At the meetings of our great railway companies, for instance, the chairmen practically all say the same thing; at the meetings of our great banking companies the chairmen practically all say the same thing. It is to the small struggling company that the meeting is of most importance, and it is the report of this meeting which often fails to find a place in the columns of the newspaper.

Then it will be found that many newspaper accounts of company meetings consist mainly of the chairman's reiteration of the facts and figures contained in the report presented to the meeting, a report which has been issued and has been outlined in the money article days before. Then further, it will be found that most of the reports of company meetings consist almost entirely of the chairman's speech, vouchsafing little or nothing of the subsequent remarks of the shareholders. This chairman's speech is often read from print or from a type-written document, copies of which are handed to the reporter. Or, in some cases, the directors send an account of the meeting through the secretary of the company or through its advertising agent, and this is inserted in the newspaper as a report of the meeting. The shareholders' remarks are not so carefully circulated and do not receive the same prominence. Of course it must be admitted that much which shareholders say at the meetings is futile, that it is the chairman's speech that matters, because the directors have their own way. But still the fact remains that the company meeting report is not improved, as a report, by the omission of criticisms subsequent to the chairman's speech, showing the other side of the shield, however futile these criticisms may be. Reference is not made in these remarks to company meetings which have attracted a great deal of public attention in advance; the dead dull level of company meetings is meant.

Moreover, the report of the meeting seldom takes note of the attendance, which is often very sparse. Such an event has been known as a reporter being asked to move the formal vote of thanks to the chairman and directors, because there was no one else present to do it. Further, we do not often find it stated in a newspaper report whether a company meeting was "packed" or not,

although it often is—the directors obtaining the services of some who are not shareholders to make much noise and much show of hands. And few newspaper reports convey, or attempt to convey, any adequate idea of the manner of the chairman and of the directors, and of the attitude of the shareholders—matters which are sometimes much more eloquent than the words that are spoken. We are told now and again of a scene and sometimes of applause, and it may be taken as a rule that company meeting applause is of a very subdued nature, as becomes anything connected with business. In an after-dinner speech one of our most notorious financiers recently paid a tribute to the capabilities of the chairman of some of his companies, who had the habit, he said, of leading any applause he wanted by dexterously shuffling his feet under the table.

It should be fully realised that most of the reports of company meetings which appear in the financial Press are inserted in return for payment by the company. The longer the report the bigger the payment. As a rule payment would not be accepted for the insertion of a company meeting report in the editorial columns of a general newspaper, although one of our great dailies seemed to depart from the principle, when, to the astonishment of its readers, it prominently inserted columns and columns of report on two or three occasions of the meetings of an unimportant but notorious group of companies. But it seemed to discontinue the practice, and the general newspapers do not generally insert company meeting reports for payment. The financial papers as a rule do—all classes, daily and weekly. One of the weeklies, the *Investors' Review*, stands out singularly in that it prints these reports in advertisement type and frankly heads them "Company Meeting Advertisements".

In the other papers there is nothing to show that the insertion of the reports is paid for by the company whose meeting is reported. The system is no secret, or rather it is an open secret. At almost any company meeting reporters of these papers may be seen soliciting orders or receiving instructions as to what space the report is to occupy, or how many copies of the paper are to be bought in consideration of the report being inserted. Providing the reader knows that the system prevails, and understands that the importance of a company is not to be gauged by the length at which its meetings are reported in the financial Press, there is no need here to go into the ethics of the case, and it is certain that most of the important financial papers, weekly and daily, which accept payment in this way would scorn to insert an unfair report at the instigation of those who pay the money. But one company meeting reporter resigned his remunerative appointment rather than carry on the class of work even for a weekly financial journal of the highest standing and of unimpeachable character.

Another reason why the newspapers cannot always be relied upon to deal adequately with company meetings is because the fact of their being held is often hidden from their cognisance by directors who seek secrecy. And obviously, publicity is the most necessary in the case of companies whose directors desire, for reasons of their own, to avoid it, fearing the light of comment and criticism. Sometimes, in order to discourage the presence of newspaper reporters, the meetings are held in the provinces, or in some out-of-the-way corner of the metropolis, instead of at the office of the company or at Winchester House or Cannon Street Hotel, the customary homes of company meetings. Or the meetings are held at an

inconvenient and unusual hour of the day or time of the year. It is amusing to note how hundreds of companies of the baser sort arrange to hold all their meetings at practically the same time within the period of a few days in December. It is often impossible even for the shareholders to cope with these tactics of directors who desire to hold "hole-and-corner meetings"; much more impossible is it for the Press to cope with them; and therefore it is useless to seek the reports in connection with the money article. Sometimes although full notice is given of the meeting, held at an ordinary place and time, the newspaper reporters, on presenting themselves, are refused admission. But in such cases there is usually a shareholder willing to impart information as to the proceedings to the enterprising reporter waiting outside. Recently, the directors of a company sought privacy for a meeting by issuing no notices to the Press. But a body of the shareholders adjourned straight from the meeting to the office of an evening newspaper with an appeal for publicity, and the result was that reference to their little affair was subsequently made in practically every important newspaper in the kingdom.

CHAPTER XXIII.

MONEY ARTICLES OF DIFFERENT JOURNALS.

OVER and above its formal review of the money and stocks markets—a mere statement of how prices have moved, with now and again the cause of the movements; over and above the different kinds of statistics to which reference has been made in the preceding pages; the money page in some newspapers now indulges in comment, generally in the form of notes, in many cases called City notes. Such great London papers as the *Times*, the *Standard*, the *Daily News*, and the *Morning Post* still adhere to the older form of financial journalism, the bare record, very seldom indulging in any outspoken comment or venturing any opinion. They state the principal movements in the seven great markets, assigning now and again the cause, and follow the statement up with matter-of-fact notices of prospectuses advertised in their columns, with matter-of-fact notices of company reports, and with detailed lists of prices.

In recent years, however, there has been a tendency to adopt what may be called the new financial journalism. Thus amongst the great morning papers the *Daily Telegraph* has split its review of the markets into notes containing more comment than do the bare reviews presented by its fellows. The *Daily Chronicle* has become even more outspoken. It does not serve up its market review in the form of commentary notes, but the substance is often there. There is an obvious attempt to

make its money article attractive as well as solid, and its notices of prospectuses are by no means colourless. Moreover, it suddenly took, and for a time maintained, quite a new departure in presenting a signed financial article—signed by Mr. A. J. Wilson, who has long held the proud position of leading financial journalist of the day.

Amongst the younger morning papers the tendency towards the new financial journalism is as marked as the tendency towards charging a halfpenny instead of a penny for the paper. Besides their review of the markets, the *Daily Mail*, the *Morning Leader* and the *Daily Express*, all have crisp notes on financial subjects every day. Those in the first-named paper are often characterised by thoughtful and successful tips, and those of the second frequently lay financial scandals bare.

Practically without exception the evening papers, penny and halfpenny alike, have adopted the new financial journalism The most prominent exception is the *Evening Standard*, which, like the great morning from which it springs, contents itself with a bare review of the markets, making good any deficiency in the way of financial comment by giving the best collection of commercial, as distinct from financial, market reports. The *Pall Mall Gazette* and the *Westminster Gazette* are both strong exponents of the new financial journalism with their City notes, prospectus criticism, outspoken comment, financial interviews, and the like. The *Pall Mall* may be regarded as the pioneer of City notes, and when its staff seceded to form the *Westminster*, the policy was of course continued in both journals. The *Globe*, with its old establishment, soon afterwards joined the new school, and so did the *St. James's Gazette*, although in the latter journal financial notes do not appear with regularity. Among the halfpenny evenings

the *Star*, like the *Morning Leader*, is remarkable for its trenchant disclosures of financial fraud; the *Evening News* follows after—a long way after—the *Daily Mail*; while the *Echo* makes a special feature of its City edition.

Of course, every article of the financial papers is a money article, all their columns being devoted to finance. These papers are an enlargement and a development of the money pages of the general newspapers. Most of the financial papers are weeklies. The oldest and most respected is the great *Economist*, whose thought is profound, whose judgment is sound. It is the *Times* of financial papers. It is able to maintain its price at the remarkable figure of eightpence. The sixpenny *Statist*, which sprang from it, may perhaps be regarded of more practical use; it is much more free with its sound financial advice. The youngest of the great financial weeklies is the *Investors' Review*, which bears the proud inscription that it is edited by Mr. A. J. Wilson. Some of the general weekly papers devote much space to finance, *Truth* deals with it most exhaustively, and the *World* has a signed financial article; and there are many other financial weeklies, the lively, outspoken, uncompromising *Critic* for instance, but the three just mentioned are the leaders.

The two great financial dailies are the *Financial News* and the *Financial Times*. Their pages naturally abound with those technicalities which it is the object of this little book to explain, so that the ordinary reader may be able to fully understand them and benefit by them. If he can understand a financial paper he will certainly be able to understand the money article in his newspaper. We have seen that the general papers began to present a regular money article about 1825. The first daily paper of modern times devoted entirely to finance, the *Financial*

News, was born on 23rd January, 1884. There are other financial dailies, especially the *Financier and Bullionist*, recently developed, but the *Financial Times* and the *Financial News* are the leaders

We have here obtained a hasty glance at the characteristics of the money articles in various newspapers. The reader has doubtless chosen his favourite journal and swears by it; if he has not, he is doubtless well able to choose it for himself without guidance. But we can imagine him who seeks financial intelligence turning rather to the papers of the new school of financial journalism than to those of the old—to the papers which attempt to make the dry bones of finance live, which present a money article with a heart, written humanly for human beings, rather than to those which, with dull coldness, set forth mere price movements, without embellishment, hint, or explanation of any kind.

Of course the money article of the old school is the safest and the easiest from the editor's point of view. It gives no offence to the big advertiser or to any one else; and it does not lead the writer into expressing opinions which, because of human frailty, may sometimes prove erroneous. It also lessens the risks of the admission into the page of anything which may be the result of corruption. But, on the other hand, it tends against the admission of anything that is useful at all—the excess of caution reminds one of the story of the fish which, suspecting a hook in every fly, died of starvation.

CHAPTER XXIV.

CORRUPTION IN FINANCIAL JOURNALISM.

Unfortunately no mere explanation of technicalities suffices completely to show the uninitiated how financial articles should be read. He must be frankly warned, however unsavoury the subject, of the existence of temptation, of corruption, of bribery, of blackmail, the canker of financial journalism. Corruption prevails somewhere between the suspicions of the smart City man and the innocence of the general reader of the money article. There are journals, generally speaking the great ones, which, although not above the breath of suspicion—for there is no City editor, as the writer of the money article is called, who is unsuspected by your smart City man—practise the strictest integrity in financial comment. They can be absolutely relied upon. There are some journals, on the other hand, financial and general, whose financial criticism is governed, not in the interest of the reader, but by the money of the financier and the promoter. The pen is mightier than the sword, and sometimes, unfortunately, the purse is mightier than the pen. The writer of the money article, from the highest to the lowest, is subject to the constant temptation of those financiers who would have him withhold his criticism or praise their wares. The temptation is not perhaps so constant now as it was a few years ago—the Hooley disclosures checked it; but it rises and wanes in cycles and it will become constant again. The briber is encouraged

by some, and accordingly he never relaxes his efforts upon others, and fall after fall occurs.

The most common and effective method of bribing a City editor or financial journalist in the case of a new company is by giving him a call upon its shares, the right to buy them at any time at a certain price. If by his praise the company floats well, he makes much personal profit. The cash bribe ranges in amount up to £5,000, a sum which was offered to the writer of a money article as a present without stipulation or condition, with the assurance that no service was required. There may have been larger sums taken and offered, but they have not come to light. A hundred or two is the usual amount offered, and often by respectable men of business, who seem to regard the matter as an ordinary incident of commerce, and who sometimes take offence at the refusal, however delicately expressed. There have been wagers in the City as to how long a certain financial editor would stand on his pedestal of honesty; such is the state of affairs.

There is a rather good story which has the attraction of being perfectly true. Mr. Emissary called upon a City editor to submit a prospectus for free, frank criticism, and, by the way, he had a little commission to divide, a hundred pounds, of which the City editor's share was eighty pounds. There were the sixteen Bank of England notes. An amusing interview ended in Mr. Emissary, green with subdued rage, taking the notes back with him to the mysterious donor, after having attempted to thrust them into the City editor's bosom. The story of the remarkably determined, though unsuccessful, attempt of Mr. Emissary to forcibly bribe the City editor with eighty pounds came by chance to the ears of Promoter, Esq. "Eighty pounds," exclaimed he with an oath, "why I sent Emissary with a hundred!" The friendly relations between

Promoter, Esq., and Mr. Emissary abruptly ceased, and for a long time the former believed the City editor refused the bribe because he was not offered the round figure.

Being thus so anxious to part with their money; it is a natural corollary that the promoter and financier of a certain class should fall an easy prey to the blackmailing demands of the disreputable financial journalist. Blackmail is but the converse of bribery; the backward swing of the pendulum. The briber would pay for the expression of good opinion; the blackmailer insists on the money. Regarded from an economic standpoint, it is a question of supply and demand; if the supply of bribes exceeds the demand, bribery is the characteristic of the market; if the demand for bribes exceeds the supply, business becomes blackmailish. The thing is so common in the lower class financial journalism that it is well to describe it coolly in simple language. The blackmail is often paid by an order for a big advertisement at an outrageous price, but often in cash. The more rotten the scheme or company the more must it pay to avoid the attack or to obtain the praise. If it pays, well and good—except for any simple reader of the money article who relies upon the blackmailing journal for advice. The promoter need not submit to the system, but he does; even the honest one would rather be mulcted in £1,000 than risk his chance of making £20,000. Better to pay the money, however begrudged, for quietness sake. Thus there arise men, blackmailing financial journalists, who batten in luxury on the dishonesty of others and on their own dishonesty, even in the present enlightened times. And it is the scourge of London, checking honest business and finance, which refuses to enter the public lists under existing conditions; misleading the reader of the financial article; enabling the scheme

of rottenness to obtain a criticism as favourable, or more so, than the scheme of promise.

True, the blackmailing business is not so profitable now as it might be. Since the advent of the new financial journalism, with all its watchfulness and its outspoken criticism, the blackmailers have not had it all their own way. When the journals of repute were asleep as to things financial, the dishonest company promoter had few to fear except the blackmailer. Now, he scarcely sees the advantage of paying over thousands of pounds to avoid criticism in journals of little repute or none, when simultaneously the weaknesses of his company are being disclosed by journals which he can influence by neither love nor money. But let us turn from the unsavoury subject which is only an adjunct, though a necessary adjunct, to the discussion of how to read the money article. To the intelligent reader the cloven hoof of corruption is not difficult of discernment once he realises its existence. The fulsome praise or the embittered criticism, for which no adequate bases of reason are presented, tell their own tale.

CHAPTER XXV.

THE WRITER OF THE ARTICLE.

It may lead to a better understanding of how to read the money article if, in conclusion, something is said of its writer; of his duties, his difficulties, his ideals. To attempt to sketch him here is a somewhat dangerous task, and a delicate. To magnify one's profession by dwelling upon its importance, to discredit it by pointing to its failings, these are the Scylla and Charybdis of the case.

The scope of the writer of the money article is rapidly extending; its growth in the past few years has been enormous. It can be seen in the marvellous increase of the number of all kinds of people who invest and speculate, tempted by the facilities which the limited liability system has afforded them, facilities of which the company monger has taken due advantage. To the City editor all these people look for information. Even the great growth in the number and amount of loans and companies which offer field for investment and speculation, striking as that growth has been in recent years, does not suffice to measure the recent increase in the scope of the work of the City editor; it takes no account, for instance, of the development of the financial interest, of the financial methods, and the financial vagaries peculiar to the present day, with which, if he would do his duty, he has to cope. It is an age of finance. Long ago Sydney Smith said that the warlike power of every country depended upon its funds; that if Cæsar were

to re-appear on earth he would find the Stock Exchange list more important than his commentaries; that Rothschild would open and shut the temple of Janus; and that the soldiers would march to battle with loud cries of "Consols and Cæsar!" What Sydney Smith would say if he lived now—but the silly superlative is one of the first things that the City editor has to avoid.

His character and attributes must be such that there is none who attains to them. He must be a man of business and a journalist; which is absurd. He must arrange a table of dry statistics, and indite an article of attractive literary grace with the same pen. He must set forth his opinion in unmistakable terms to his readers; yet practise all the wiles of diplomacy in the financial circles in which he lives and moves and has his being. He must be popular, and yet a detective. Not an atom of sentiment must warp, however insidiously, his reason. He deals in delicate wares; business transactions, matters of money and credit, are not to be lightly treated. The money article in your newspaper differs from every other. The writer of the general article may give rein to his imagination; with advantage to himself and his reader, he may indulge in the picturesque. To leniently praise a show or a politician may harm few or none; to leniently praise a company or a financier may wreak loss, cruel to the individual and aggregating hundreds of thousands of pounds.

Knowing all he knows, seeing all he sees, the temptation of the City editor is to become pessimistic. Besides, pessimism is so safe; prophesy evil long enough, and the prophecy in nine case out of ten is sure to be fulfilled; loss will come as well as profit, for of such is the kingdom of finance. It is the bane of many of us financial writers that we see sorrows in stocks, loss in the one pound

share, and bad in everything. "We considered his criticism," a Colonial bank-manager once moaned, "and came to the conclusion that there was something in it. We have rendered these accounts in the way he suggested, and in this morning's paper he is more rabid than ever; what am I to do?" Of course, once bad, always bad, sounds consistent; but, on the other hand, if criticism has wrought reform, it should pause, if only to triumph; and there are two classes of criticism, the neglected one being constructive. Again, some of us who write money articles lack impartiality in the matter of persons. Columns have been written against one scheme; the foundation of the adverse criticism, proudly admitted by the writer, being the discovery that a certain promoter was connected with its inception. In such a case as this, the possibility is overlooked that even a company promoter may prefer to involve himself in an honest concern, if the profit be as large.

However easy it may be to err through innate pessimism or partiality in the hasty decision which the City editor is so frequently called upon to give in these days of journalistic enterprise, when news a day old is not news, and when financial schemes are rushed through to evade criticism, excuse can scarcely be pleaded for warped judgment over any lengthened period of time. The opportunity which the writer of the financial article has of hearing all sides is remarkable; no sooner, for instance, is a prospectus issued or a financial scheme mooted, than those with axes to grind immediately volunteer all its bad points; the City editor must be discriminative, bearing in mind the axe, but weighing the evidence. If it be against the promoter, the resultant adverse criticism brings him into the office where the City editor sits all day to be interviewed, and, hearing

all sides, cannot well be deceived. The callers on either side, judging by their blandishments, sometimes seem unaware of this. But they have been known to meet on the stairs.

But wide and varied sources of information or none, the requirements of ideal City editorship are appalling. It has been said with reason that the City editor, to do himself justice, must be detective, solicitor, advocate, judge. He must, in other words, be assiduous in collecting his financial facts, level-headed in appraising them, precise in arraying them—arraying them with fine judgment, happy equity, and a piercing sense of analysis. With these qualities the point of judgeship is reached. But of the new financial journalism the public expects more. The writer of the money article is required to express a definite opinion on his facts. In short, he must not be merely detective, solicitor, advocate, judge, but jury as well. It is thus that some of the qualities necessary for financial writing may be indicated. Above them all, without which they are nothing worth, is honesty and rectitude; the main reason why has been shown in the preceding chapter. In fact the first qualification of the City editor is integrity, the second integrity, and the third integrity.

Enterprise must be one of the qualities of the City editor, and the journalistic instinct one of his attributes. Those items of early exclusive financial information packed quietly in, by the old financial journalism, amongst advances of eighths and declines of sixteenths, and blazoned forth by the new financial journalism at the top of a column in impressive type—those items of early exclusive financial information cost more in enterprise, in diplomacy, in money, than the reader who pays a penny for his paper imagines. For one journal to

announce that the shares of a certain company, although they stand in the market at $3\frac{1}{2}$, are to be bought up at 5, is to give its readers the means of putting many hundreds of pounds in their pockets and to earn their undying gratitude and support. For one journal to announce that a certain mining reef has pinched out, disappeared, is to enable its readers to get rid of their shares before the general crash ensues. To obtain by interview the opinion of a high authority on any given point at a critical moment, to lay bare the innate wickedness of the false rumours which far too frequently upset the market, to disclose material points omitted or glossed over in a specious prospectus, to publish the Board of Trade returns a day, or even a few hours, in advance of esteemed contemporaries every month, and so on, and so on—these things require unwearying enterprise and diplomatic tact on the part of the writer of the money article, backed up by cheerful expenditure on the part of the newspaper. They are both content if the reader pays his penny and is gratified; even if he pays his penny and grumbles that there is nothing in the paper. To obtain information for financial purposes on a point connected with the Underground Railway, a gentleman has been known to assume the garb of a navvy, and thus gain access to the tunnel by night. At the time of the Australian crisis, when the banks were falling like nine-pins, one financial writer put himself into possession of the news of the failure of one of the institutions so early that he was able to bring the very London manager himself first tidings of the melancholy fact. All the world was once waiting for the report of a great company, and the officials had rightly decided that all the world should have it simultaneously; the reports being numbered and guarded like bars of gold. A day in advance, however,

an enterprising journal published a full outline of the report, of which the City editor had obtained a copy numbered nine, for twenty minutes. When, the next day, the reports were officially issued to the Press the City editor received number nine again, which shows that the officials of that company have a delicate sense of humour. The private sources of information which the writer of the money article commands are extensive and peculiar. It would be safest and very comfortable to refuse all such as is received from a tainted source. But it is his duty to his journal and his readers to take no such easy course. A hint from Satan himself—usually contained in an anonymous letter written on a scrap of paper without address—must be followed up, inquired into, weighed and adjudged. For whatever motives the information may be given, it may have truth, it may be valuable for good, it must not be lazily, nervously rejected. When the financial scum falls out, the reader of the money article comes by his own. The City editor finds it interesting to mix with all kinds of people, and useful. Thus must he be not only of sound character himself, but have sound judgment of the character of others.

But the enterprise of the City editor must be tempered with discretion; he deals with business, not with play, and by any rashness he would lose the confidence which business men in high financial circles repose in him, confidence which is a preliminary to his being able to speak from the heart of the financial body. Once betray confidence, perhaps not wilfully but by indiscretion, and the writer of the money article has lost the power he holds for good. There were at least one or two City editors who knew of the Baring collapse, our last real crisis, before it was made public to the astonishment of

the world. Had one of these men dared to put his secret into print he might have sold as many copies of his paper as its machines would print; and he would have had to retire anathematized and notorious, for he would have precipitated a monetary panic which would have brought cruel ruin to thousands, from the strongest finance houses to the thriftiest bank depositor. As it was the position was quietly saved. "Have withdrawn my money from Westminster Bank, where shall I put it?" wired a constant reader to one of the City editors the day the crash became known. "Westminster Bank," was the reply.

Financial omniscience being a requisite of the writer of the money article, there are one or two of us who are not adequately equipped. It is even so, although we all have access to a copy of Burdett, as the Stock Exchange book of reference is still called. One of the ablest and most reliable financial writers of the day frankly complains that although he can dictate hundreds of answers to correspondents, obtaining in return shoals of letters of gratitude for the result of his advice, he cannot manage his own investments with anything like success. It is an apparent phenomenon which the psychologist could probably explain with ease. The writer of the financial article frequently seeks his broker's advice, and often regrets the outcome of their combined wisdom. One well-known City editor, who at the time held an important position in financial journalism, was actually involved in the great Balfour collapse, having placed some of his money in one of the institutions which was at the tender mercy of Jabez himself. Again, a case has been known of a certain City editor who received a considerable sum of money after days and days of anxious negotiation requiring the utmost care and skill; within a quarter of

an hour of the receipt of the cheque he had deliberately, though unwittingly, given it away—he had made it payable to his bank instead of to himself, much to the amusement of the receiving cashier.

Perhaps it is that the demands upon the attention of the writer of the financial article to the monetary affairs of its readers are so many and persistent that he has no attention left for his own. It is difficult to meet the demands of the admiring reader who wants a perfectly safe investment that will yield between five and six per cent., for £32 that he has saved, and has heard the name of some mining company which he does not remember, but it is something like Hamilton, and would the editor kindly say what he would advise in the next edition of his valuable paper or by post? "It will take us a little time to examine the list of thirty-seven investments you send us, but we will answer your inquiries in a day or two"; such was the pathetic answer to a correspondent which recently appeared from the pen of the writer of a money article. A private note in another case informed a business house in Liverpool that the editor, whilst tendering his thanks for the suggestion, regretted that he could not at present see his way to furnish the information desired from Russia, for which there appeared to be no wide demand. The telegraphing alone would have cost nearly thirty pounds a week. One in the service of the British Embassy at Constantinople had "read with great interest your trenchant criticism on the prospectus, but unfortunately too late. He had applied for three one-pound shares, and would the editor advise him to take legal proceedings for the return of the money, part of which had already been paid on application?" The instance would not be worth setting forth here if it contained exaggeration. Patience, therefore, must be yet

another attribute of the City editor; patience, not only to await the fulfilment of his forecasts, which may never arrive, but to deal with presumption and stupidity, to obtain the return of money to people who have subscribed it against his advice. Patience, and nerve too, are required to deal with the flocks of good people who call to seek solace and advice after a disclosure as to the company in which they are involved. He comes in a cab to tell the City editor wildly that the disclosure is a lie; she comes on foot in her dinner hour to tremblingly ask if it can be true, because she put her £15 into it, believing it would be good for them, without her mother knowing.

There is thus sentiment for the City editor; and there is also the libel law, which is often unfair to the journalist. The company promoter has a clever habit of bringing a libel action with a view to stopping comment at a critical time, but sometimes the comment is continued despite the pending action. The public must be defended at all risks. Again a financier sometimes brings action for libel with no intention of carrying it on, but merely to save appearances. He can boast the action until the effect of the criticism has died away. In criticising a prospectus a City editor was once misled into making the erroneous statement that the promoter was connected with another company already in liquidation. The promoter brought action for libel, and gained nominal damages. The damages were nominal partly because although the other company was not in liquidation, the new company upon which the warning criticism was written had gone into liquidation before the libel action came into court! Though the law is harsh, and the newspaper is frequently mulcted in heavy expenses, even though it win the day, libel actions are sometimes glorious.

Over the massive portals of the dwelling of our greatest

journal, inscribed indelibly in stone, is a proudly displayed inscription expressing the grateful acknowledgments of the merchants and bankers of London, of the industry, perseverance and ability shown in the exposure of the most remarkable and extensively fraudulent conspiracy ever brought to light in the mercantile world. The exposure, the inscription goes on to say, shows the aid which a public-spirited and independent journal has in its power to afford in the detection and punishment of offences which aim at the destruction of all mercantile confidence and security. The inscription is sixty years old. But it stands for all time to show that substantial advantage may be gained, at least occasionally, by those who know how to read the money article.

GLOSSARY.

Many of the technical words and phrases used in the money article have been explained in the course of the preceding pages, and reference can readily be made to these explanations by using the Index. There are, however, other words and phrases requiring less detailed explanation and these are dealt with in this Glossary.

AMERICANS. Not securities of the American Government but American railroad securities.

ARBITRAGE DEALING. Buying at one centre to sell immediately in another, to profit by slight difference of prices.

ARTICLES OF ASSOCIATION. Practically the rules or bye-laws of a company, by which all its members and officials are governed.

ASSESSMENT. An extra amount charged on shareholders, payable like a call.

AVERAGE, TO. To buy more of a stock held, whose price has fallen, so as to render the average cost of the whole less; or a bear may average by selling more at a higher price when the price has moved against him.

AYRSHIRE. Ordinary stock of the Glasgow and South-Western Railway.

BANGING THE MARKET. Attempting to force down prices by heavy sales.

BARGAIN. A transaction; a deal. Not a favourable transaction as in ordinary parlance.

BAYS. Shares of the Hudson's Bay Company.

BERTHAS. The deferred ordinary stock of the London, Brighton and South Coast Railway; Brighton A.

BERWICKS. North-Eastern Railway stock.

BETTER PRICES. Higher prices, not better for the bears.

BOOM. Roaring business with appreciably risen prices. Opposite to "Slump".

BOURSES. The Stock Exchanges of the Continent.

BRIGHTON A. The deferred ordinary stock of the London, Brighton and South Coast Railway; Berthas.

BRITISH. North British Railway stock.

BRUMS. London and North-Western Railway stock.

BUCKET SHOP. The office of a stockbroker not a member of the Stock Exchange where gambling business principally is transacted. The centre of attraction used to be the tape and its prices, which dropped into a bucket.

BUOYANT MARKETS. When prices are rising; opposite to depressed.

CALEYS. Caledonian Railway ordinary stock.

CALL. Demand for payment of instalment due on securities not fully paid.

CALL. Right to buy certain securities at a given price on a given date or within a given period. If the price is then higher the call is exercised. See OPTION DEALING.

CANPAC. Canadian Pacific Railroad. Use of term in money article evidence that writer not in immediate touch with market, as term very rarely used in Stock Exchange, where they say "Canadas".

CAPITAL. Sometimes used in money article to denote invested money in any security, upon which interest or dividend is receivable.

CHARTERED. British South Africa Company.

CHATHAM. London, Chatham and Dover Railway stock. "Dovers" are South-Eastern Railway stocks.

CHILDERS. Consols, $2\frac{3}{4}$ per cent., redeemable 1905, inaugurated by Mr. Childers.

COALERS. Certain American railroad lines, an important part of whose business is the carriage of coal.

CONTANGO OR CONTINUATION DAY. First day of the Stock Exchange settlement, when arrangements are made to continue bargains.

CONTRIBUTORIES. Those who have subscribed to the capital of a company. In liquidation there is often a "deficiency as regards contributories"—the creditors may be paid in full although the shareholders lose.

CONVERSION. Changing a security into another, often to reduce the interest payable, a change which the investor has to accept as a necessity. But stocks are sometimes converted for convenience sake. See SPLIT.

CORNER. To obtain control of shares or stocks of a company. The bears who have sold and cannot obtain to deliver are said to be "cornered".

CUMULATIVE CONSOLS. On receiving instructions Bank of England will invest dividends on Consols every quarter adding them to the capital sum.

CUMULATIVE DIVIDEND. If at any time dividend not paid or only partly paid arrears have to be made up as soon as possible if dividend is cumulative.

DEALER. The jobber; not the broker or the client although they all deal.

DEBENTURES. The debentures of a company come in security before the preference, ordinary and deferred shares which stand in the order given. Often, but not necessarily, a mortgage.

DECLARED A DEFAULTER. One who has failed to meet his bargains in the Stock Exchange is "hammered" and ceases to be a member. His fellow members who lose do not put him through the Bankruptcy Court though, of course, an outsider may.

DEFERRED SHARES OR STOCK. The lowest form of security in a company, common forms being—(1) debentures, (2) preference, (3) ordinary, (4) deferred. There may be (3) preferred ordinary, (4) deferred ordinary, and (5) deferred; and sometimes guaranteed stocks.

DEPOSIT RATES. Rates allowed by banks and discount houses on money deposited with them; lower rates are allowed on money "at call" that is repayable at any moment the depositor demands it, than on money "at notice".

DIFFERENCES. Balance between purchase price and sale price of stock dealt in; amount of profit or loss on deal.

DISCOUNT. Rate charged for advancing the money on a bill.

DISCOUNT, AT A. Below par or below nominal value or below issue price or below amount paid up.

DIVIDENDS. Division of available profits distributed to preference and ordinary shareholders. The fixed distribution paid to debenture holders is called "interest".

DORAS OR DOVER A. South-Eastern Railway deferred ordinary stock.

DOVERS. Stock of South-Eastern Railway; not of London, Chatham and Dover.

EASIER. When rates, markets or prices are said to be "easier" rather lower quotation is implied.

EXCHEQUER BONDS. Bonds for a short term of years which the Government sometimes issues when it needs money.

FACE VALUE. Nominal or original value of a security printed on the face of its certificate.

FINER RATES. Lower rates.

FIXED CHARGES. Standing charges which a company has regularly to meet in the way of debenture interest, etc., before it can divide profit among its shareholders.

FLOATING DEBT. Debt borrowed for temporary purposes for short period, as distinct from debt borrowed for term of years on debentures, etc.

FLOATING MONEY. Money in the market not engaged, and available for loans, etc.

FORECLOSURE. Seizure of mortgaged property by mortgagee or debenture holders on default in payment of interest.

FOREIGNERS. Securities of Foreign Governments.

FRACTIONAL RISE. Small movement like $\frac{1}{16}$ or $\frac{1}{8}$; not 1 or even $\frac{1}{2}$.

FUNDED. When liabilities instead of being paid off are consolidated into a permanent debt bearing regular interest they are said to be funded.

FUNDS, THE. In the money article term implies Consols and other securities of the British Government.

FOUNDERS' SHARES. Shares issued at formation of a company entitling holders to large share of remaining profits after certain rate of dividend has been paid on ordinary shares in any one period. Obviously to the interest of holders that profits should be high even if irregular, rather than moderate and steady.

GILT-EDGED SECURITIES. Securities of the very highest class whose safety seems practically absolute.

GORGONZOLA HALL. The Stock Exchange; so named, playfully because of resemblance of marble wall to cheese.

GOSCHENS. Consols which bear $2\frac{3}{4}$ per cent. until 1903, and then $2\frac{1}{2}$ per cent., redeemable 1923. Converted from three per cents. by Mr. (subsequently Viscount) Goschen.

GRANGERS. Certain American railroad lines, an important part of whose business is the carriage of grain.

GROSS RECEIPTS. Total receipts before working expenses are deducted, when the remainder constitutes "net receipts".

GUINEA PIG DIRECTORS. Those who serve merely for the sake of the guineas received for attendance at board meetings, and are usually directors of many companies.

HAMMERED. Declared a defaulter on the Stock Exchange.

HARD. When rates, markets or prices are said to be hard, higher quotation is implied.

HOUSE, THE. The Stock Exchange.

INCOME BOND. Kind of preference share in an American railroad.

INSCRIBED STOCKS. Stocks whose proprietors' names are registered in the books of the institution which manages them.

INTERIM DIVIDEND. Distribution of profit in advance, before the books are made up and the final dividend for one year is declared.

JUNGLE MARKET. Stock Exchange market in which dealings in West African shares are transacted.

KAFFIRS. South African mining, land, etc., shares. The market in which they are dealt in the Stock Exchange is often called the "Kaffir Circus". Term does not comprise Rhodesians.

KANGAROOS. West Australian mining, land, etc., shares.

LEASED LINES. Railways the interest upon whose securities is distributed out of the rent paid by another company which leases them.

LIABILITY ON BANK SHARES, RESERVED. Frequently referred to in money articles because practically all banks have large amount of capital only callable in case of disaster, this giving security to depositors.

LITTLE CHATHAMS. Arbitration ordinary stock of London, Chatham and Dover Railway.

MAILS. Ordinary stock of Mexican Railway Company.

MAKING A MARKET. Dealing in the Stock Exchange and making a show of demand and activity with the object of getting prices circulated and inducing outsiders to buy the shares.

MAKING-UP DAY. First day of Stock Exchange settlement when prices are made up and rates fixed.

MARGIN. The balance of securities a banker requires over the amount of money lent to provide against depreciation of these securities.

MEMORANDUM OF ASSOCIATION. Part summary of Articles of Association which form the rules of a company.

MILWAUKEES OR MILKS. Shares of the Chicago, Milwaukee and St. Paul Railroad Company.

NAME DAY OR TICKET DAY. Middle day of the Stock Exchange settlement upon which names of purchasers are passed to sellers.

NET RECEIPTS. Remainder after deducting working expenses from "gross receipts".

OBLIGATIONS. Bonds, principally of Continental railways and Governments.

OFFICIALLY QUOTED. Quoted in the official price list of the Stock Exchange.

ON 'CHANGE. In the Royal Exchange, where foreign exchange and money market business is transacted. When referring to the London Stock Exchange its members say "in the House" never "on 'Change".

OPEN OR OUTSIDE MARKET. As applied to money means market outside the Bank of England.

OPERATORS. Those who are pretty constantly speculating, as distinct from ordinary investors.

OPTION DEALING. In this, a sum is paid for the right to buy (call) a certain stock at a fixed price within a fixed time, or for the right to sell ("put") in the same way, or for the right either to call or to put ("double option"). If the stock fluctuates in such a way as to make it profitable for the holder of the option to exercise it he does, if not he loses the money he pays for the option.

ORDINARY SHARES OR STOCK. The third class of security which may be issued by a company ranking after preference and before deferred shares. See DEFERRED SHARES.

OUTSIDE BROKER. A broker who is not a member of the Stock Exchange. Generally to be distrusted.

OUTSIDE MARKET. See OPEN MARKET.

OVERCAPITALISED. Term does not imply that company has too much capital at its disposal but that it has disposed of too much capital, generally in paying vendors; and that profits do not suffice for distribution over the inflated amount.

PAR, AT. When a stock is at par its quotation equals exactly its nominal value or its issue price or the amount that has been paid upon it.

PASSED, DIVIDEND. Not passed by the directors for payment, but passed by; no dividend.

PAY DAY OR SETTLING DAY. The last day of the Stock Exchange Settlement, when payments have to be made and differences settled.

POINT, A. When the money article states that a stock has risen a point it usually means one; that is say from 13 to 14, not a fraction as to $13\frac{3}{4}$.

POOL. Combination of a number of persons to operate in stocks for joint profit. When the combiners do not know the stocks, being bold enough to place their money in the hands of a leader, it is called a blind pool.

POTTS. North Staffordshire Railway.

PREFERENCE OR PREFERRED. The second class of security which may be issued by a company, ranking for a fixed dividend, and usually as regards capital distribution, after the debentures and before the ordinary. See DEFERRED SHARES.

PREMIUM ON GOLD. The rate by which the value of gold exceeds the paper currency which represents it. In England there is no premium on gold, as a five pound note is worth five sovereigns. In Argentina the depreciated paper currency is not worth its face value in gold; there is a premium on gold.

PRINCIPAL. The capital sum upon which interest is payable.

PRINCIPAL. The client of the stockbroker, the broker being an agent.

PRIVATE DISCOUNT. In foreign money markets means outside discount rate, as distinct from discount rate of the national bank.

PROFESSIONAL DEALINGS. Dealings of members of the Stock Exchange or of regular operators as distinct from dealings by the general public.

PUNTER. A constant speculator who acts upon the principle of small profits and quick returns.

PUT. The right to sell certain securities at a given price within a given period. If the price goes lower the put is exercised. See OPTION DEALING.

READINGS. Shares of the Philadelphia and Reading Railroad Company.

Real Stock has been sold. Sales of stock by actual holders as distinct from sales by bears.

Reconstruction. Formation of a new company to take the place of an existing one, generally involving additional subscriptions by the shareholders, and often for the purpose of wiping out a past which the directors regard with uneasiness.

Registered Company. Certain particulars of every English limited liability company have to be registered at Somerset House. Many companies never get beyond registration and many are private companies of which the reader of the money article never hears again although he may read of their registration.

Rente. The Consols of certain Continental countries.

Reserve liability. Liability only called up in case of disaster. See Liability on bank shares.

Rig the Market, To. To cause a rise in prices irrespective of intrinsic merits; often with the idea of attracting the attention of the unwary and luring them in.

Rupee Paper. Silver securities of the Indian Government, interest and principal being payable in rupees in India by bills of exchange in England.

Scrip. Paper which temporarily or provisionally represents shares or stock subsequently exchanged for definitive certificate or bond. Term also loosely used to describe any kinds of bonds or certificates.

Securities. Stocks or shares, not necessarily secure.

Share. An indivisible portion of a company's capital usually of the denomination of £1, £5 or £10. Stock, on the other hand, is any part of the capital divisible at convenience. An odd amount of shares, say £133 15s., cannot be dealt in, but stock for such an amount may be.

Shop, The. The jobber or group of jobbers, who make a speciality of certain securities are known as the Shop in such securities.

Signatories. A company's signatories are those who have signed its Articles of Association.

Slump. Heavy sudden fall. Opposite to "Boom".

Speculative business. In a money article sense, transactions by bulls and bears as distinct from by investors.

Speculative investors. Those who, not being bulls and bears, buy securities for cash with the idea of selling at a profit rather than retaining them for dividends.

Split stocks. Ordinary stocks that have been divided into preferred ordinary, taking a fixed rate of dividend, and deferred ordinary, taking a varying dividend in accordance with the balance remaining.

Spot and forward. Spot quotation is price for immediate delivery of silver and other merchandise. Forward quotation is price for delivery at some future date.

Stock. Capital of a company bearing fixed interest the unit of which is £100. See Share.

Street, The. Vicinity of the Stock Exchange where dealing goes on after the House is closed.

Table A. A certain model set of articles of association.

Taken up. Bought and paid for; not carried over.

Talon. Certificate sometimes attached to bonds entitling to a new set of coupons.

Ticket Day or Name Day. The middle day of the Stock Exchange Settlement, when tickets bearing purchasers' names are passed to sellers.

Treasury Bills. Bills for 3, 6, 9 or 12 months which the Government often offers for tender when it needs money.

Trunks. Stock of the Grand Trunk Railway of Canada.

Trustee Stocks. Certain securities of the highest class in which trustees are authorised by law to invest.

Trust or Finance companies. Companies whose main business consists of investing and dealing in stocks and shares of other companies.

Turn. When the money article says a price is "the turn of the market" higher or lower it means that the movement is of the smallest possible. The "jobber's turn" is the difference between the price at which he will buy and the price at which he will sell.

Underwriting. Guaranteeing that new issues shall be subscribed. For a consideration the underwriter undertakes to subscribe for the stocks or shares himself if the subscriptions of others are not forthcoming.

Vendors' Shares. Shares issued to vendors by a company in payment, or part payment, for properties acquired; often sold at the first opportunity.

Wall Street. The New York Stock Exchange.

Watered Capital. Capital the paper value of which has been increased without corresponding increase in cash subscriptions.

WILD CAT. A hopeless dishonest scheme.

WINDING UP A COMPANY. Stopping it; not like winding up a clock.

YANKEES. American Railroad securities.

YIELD. The return which interest or dividend gives an investor taking into account the price he pays for the stock or shares. The yield on 3 per cent. stock bought at 100 is 3 per cent.; bought at 110 the yield is about £2 14s. 7d. per cent.

YORK A. Consolidated A stock of the Great Northern Railway.

YORK DEFERRED. Deferred converted ordinary stock of the Great Northern Railway.

INDEX.

Many of the technical words and phrases used in the Money Article require less detailed explanation than those dealt with in the body of the book. Such words are not included in this Index, but should be found in the Glossary on the preceding pages.

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